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WORLD TRADE
'Fortress Europe' fears resurface
Page 20

Wall St, London suffer another bout of nerves

By Peter Norman in London and Janet Bush in New York

EQUITY prices in the US and Britain fell again yesterday as investors took fright after news that the US trade deficit in August was the highest so far this year and that the United Airlines buyout deal was again in trouble.

The announcement of the $10.77bn US deficit for August put Wall Street and London on a nervous and erratic roller coaster that gradually eroded the fragile confidence which appeared in the markets after Monday's strong recovery.

The Dow Jones Industrial Average closed 18.65 down at 2,638.93, which was well above its lows of the day.

The FT-SE 100 share index closed at 2,135.5, down 27.9 after heavy trading of 643m shares.

US equity traders had barely stopped cheering the recovery in the Dow Jones average on Monday when they were hit by one of the most volatile sessions in memory.

During increasingly erratic New York trading influenced by computer programmed trading and reports of new difficulties in arranging finance for the highly leveraged buyout of UAL, the US airline, the London equity market took its cue from the US.

It was the difficulties over the UAL which last Friday triggered the second worst stock market fall in history. Trading in the stock was suspended half way through yesterday morning in New York as it was swamped by sell orders amid reports that Japanese banks were baulking at funding a restructured buy-out of the airline.

The morning saw a frenzied 20-minute period of see-sawing price movements in which programme trades first deluged the New York Stock Exchange with sell orders and then, as swiftly, a flood of buying.

The jittery performance of the two main Anglo-Saxon markets was in marked contrast to those in the Far East, which built on Monday's late share price recovery in London and New York with further gains.

Dealers arrived at their computer terminals in London yesterday to find that the Tokyo market had closed 1.53 per cent higher. Hong Kong and Australian markets had also advanced.

During the European morning, continental bourses recouped part of Monday's heavy losses that had been prompted by Friday's 190-point plunge in the Dow Jones average and exacerbated by dealing and liquidity problems.

London equities accordingly opened on an optimistic note with a gain of 12.5 points on the FT-SE index. However, there were early signs of weakness as the market slipped back. London appeared to be regaining its nerve when the US trade data pushed it sharply lower.

New York's reaction to the trade figures was strengthened by a widespread feeling at the outset of yesterday's trading that Monday's rally was too good to be true. By the close, however, there was some relief that the Dow had lifted off its lows and yet that it had not registered another gain. There was great nervousness that an immediate rally on Wall Street rather than a rational correction could spell trouble for the longer term.

London's weakness was underpinned by recurring fears about the state of the British economy with its high 7.6 per cent inflation level, an estimated £20bn ($32bn) current account this year and 15 per cent base rates.

The US trade figures depressed the US dollar which closed in London at DM1.8530 against DM1.8650 on Monday. However, in New York the dollar rebounded to be quoted in late trading at DM1.8670 and Y142.75, near its day's highs.

With attention focussed on equity markets, sterling had a quiet day, closing in London half a pfennig lower at DM2.9325 against DM2.9375 on Monday and somewhat stronger against the dollar at $1.5825 against $1.5750.

The Bank of England's trade weighted sterling index closed unchanged at 89.

Bonds on both sides of the Atlantic continued to trade in an inverse relationship with stocks, although that relationship appeared to break down late in the New York session. In London, government bonds closed higher, but in New York the US long bond, which had traded higher most of the day, fell ⅝ point, taking its yield above 8 per cent again

Questions begin as dust settles on German bourse

By Andrew Fisher in Frankfurt

THE INQUEST began yesterday into Monday's share price rout on West German stock markets. The key question being asked was this: why did the German market suffer such an unexpectedly steep 13 per cent slide in key indices – more than other European markets – when economic fundamentals were so strong and corporate earnings prospects so positive?

With the market making a brave recovery yesterday, as domestic and foreign institutions took advantage of the lower prices, fears of a crash along the lines of October 1987 receded. The DAX real-time index moved up by 6.5 per cent. But the long-term implications still have to be faced.

"The question has to be asked as to why the market was so volatile," said Mr Rüdiger von Rosen, executive vice-president of the Federation of German Stock Exchanges. "This was not just because of international influences on the market. It also seems that the relationship between German investors and the market is not as close as that which Japanese, British or American investors have to their own markets."

In other words, the German private investors – and it was they who appeared to lead Monday's selling – are quick to take flight. Thus, reckons Mr von Rosen, both the stock markets and companies themselves have much to do in the field of investor relations to bind shareholders more closely to the market.

However, he pointed out that in one sense Frankfurt was a victim of its own structure. Settlement times are much faster, at two days, than in many other countries. So it is easy to sell if doubts about the market arise. But while selling may be encouraged by the market's own efficiency, some dealers criticised the slowness with which orders were translated into prices on Monday.

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Delors urges EC to meet Eastern Europe challenge

By David Buchan in Brussels

THE 12 member states of the European Community must rapidly anchor themselves in economic and monetary union lest fast-developing ties with Eastern European states pull the Community apart, Mr Jacques Delors, the European Commission president, warned yesterday.

In a policy speech which referred chiefly to the changes in Eastern Europe, he said: "History is accelerating. We must also accelerate."

From the same podium of the College of Europe in Bruges, at which Mrs Margaret Thatcher, the British Prime Minister, a year ago delivered her blast against "a European superstate", Mr Delors sought not only to rebut the British leader's concerns about regimentation from Brussels, but also to remind West Germany, increasingly distracted by events in the East, of its self-interest in closer Community integration.

Talking of what he called "the bubbling of Europe", he claimed that it was "the European Community, community of law, at once democratic and economically dynamic, that has served as the example and catalyst of these changes". It was, he said, "not the West learning from the East, but the East which is attracted to the West".

If the Community failed to rise to challenges of helping Eastern countries modernise their economies, reform their political systems, or indeed of tackling the division of Germany, the EC "will break apart or see its momentum halted."

Mr Delors said he hoped the European summit in seven weeks' time in Strasbourg would set in train the adoption and ratification of a new treaty on economic and monetary union (EMU) before the end of 1992, the planned deadline for the single European market.

The Commission president appears to be taking a longer than usual run at this crucial summit, not only because the high political stakes involved in the EMU issue, but because of what he views as Bonn's dangerous distraction with events in the East. German support has always been essential for any monetary development in the Community.

Mr Hans-Dietrich Genscher, the German Foreign Minister who was instrumental in getting the Delors monetary study into EMU launched last year, focused much of the discussion at a meeting between EC foreign ministers last weekend on Eastern Europe. "New models", Mr Genscher said, would have to be found to associate countries like Poland and Hungary with the EC.

For his part, Mr Delors did not rule out the possibility that new links with Eastern Europe and Efta countries could be forged as part of EC treaty revisions to set up an Emu within the Community.

Turning to British Government opposition to his monetary plans, Mr Delors recalled yesterday that his blueprint for EMU had won broad approval from EC leaders when they met in Madrid in June.

"It only remains to construct the institutional framework", he said. Seeking to placate doubts about EMU, he stressed the federal structure of any future European central banking system and forecast that the Community budget would never surpass 5 per cent of total public spending by the Twelve.

"If there is a debate – and there should be debate – it is preferable that it should bear on what EMU will add, in economic and social terms, to the expected benefits of the big single market," Mr Delors said. He used his Bruges speech to back the benefits of the proposed social charter of workers rights, which will be before EC leaders at Strasbourg in December. Britain sees the charter as unwelcome interference from Brussels.

Mr Delors emphasized that "there is no plot against the nation state, no one is being asked to renounce a legitimate patriotism".

Editorial comment, Page 18

Thatcher economics aide joins EC debate

Sir Alan Walters, who plays a controversial behind-the-scenes role in Britain as a personal aide on economics to Prime Minister Margaret Thatcher, has entered the debate over the country's future within the European Community and given qualified support for European Monetary Union and a common European currency. However, he remained resolutely opposed to the country's becoming a full member of the European Monetary System. Report, Page 20

Trade deficit widens in US

By Anthony Harris in Washington

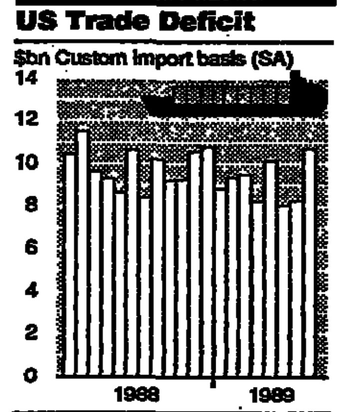
THE US merchandise trade deficit widened sharply to $10.8bn in August, as both imports and the deficit rose by $2.5bn. The figures, which represent the first significant break in a steadily improving trend this year, were described as "disappointing" by Mr Robert Mosbacher, the Commerce Secretary.

There is now virtually no difference between the growth rate of exports and imports through the first eight months of 1989, but this is partly due to a dip in imports at the beginning of the year. Over the last 12 months the export trend of 14.6 per cent annual growth is still comfortably ahead of the 8.2 per cent annual growth of imports.

More than half the August increase was accounted for by capital goods, apart from vehicles, which rose by $1.3 bn to $10.3bn, a new record. Vehicle imports also recovered sharply between July and August, rising by $600m to $7.2bn, but this simply restores a flat trend through the year. Vehicle imports so far in 1989 are only 1.2 per cent up on the

Continued on Page 20
Fears of Fortress Europe resurface, Page 20

US Trade Deficit



Gandhi catches opposition off balance by calling elections

By David Housego and K.K. Sharma in New Delhi

MR RAJIV GANDHI, India's Prime Minister, yesterday caught the country's opposition off balance by calling general elections for late next month.

His move leaves India's opposition leaders only two weeks to agree on whether to field joint candidates against the ruling Congress party. Observers believe the opposition groups stand little chance of victory unless they can put up a single candidate in most constituencies.

The Congress Party held the lead according to the last extensive public opinion poll, which was carried out in August. But recent discontent over rising prices and disclosures damaging to the Prime Minister over the Bofors scandal are believed to have eroded this lead and an election could swing either way.

Mr Gandhi – who announced he would not be attending the Commonwealth summit in Kuala Lumpur after calling the election – acted after his government's defeat in the upper house of Parliament on Friday over a constitutional amendment which would have strengthened the power of local councils.

A strong plank in his campaign will be to exploit the opposition's obstruction over what is believed to be an electorally popular measure. Other factors behind his decision to go for a poll two months before he needed to include a belief that opposition divisions over resurgent Hindu fundamentalism will make it difficult for to agree on single candidates.

Mr Gandhi also wants a poll before his prestige and his grip on the Congress party suffer further from recent allegations his government was involved in covering-up illicit payments by Bofors, the Swedish arms group, on an artillery contract worth more than $1.2bn.

The opposition sought to take the initiative yesterday in the wake of the announcement. Mr V.P. Singh, leader of the National Front coalition, said Mr Gandhi's action in calling early elections showed that tensions within the Congress party had reached breaking point.

The elections, to be held on November 22 and 24, will exclude Assam, with 14 seats, where there are continuing security problems. If the outcome is close, a final result could still await a later poll in Assam.

In the 1984 election Mr Gandhi won almost three quarters of the seats in the lower house – a result widely seen as reflecting a sympathy vote in the wake of the assassination of his mother, Mrs Indira Gandhi.

The main issues of the campaign will be Mr Gandhi's leadership, rising prices which have most harmed the rural poor and the Bofors issue, which has raised allegations that those close to the Prime Minister have enriched themselves at the country's expense.

Gandhi's fight, Page 4

World News

UK to free 'Guildford Four' after 14 years

Britain's Director of Public Prosecutions said the "Guildford Four" – the alleged IRA guerrillas jailed since 1974 for bombing English public houses in the mid-1970s IRA campaign – had been convicted unjustly. The four are expected to be freed with their names cleared. Page 13

Soviet resignation
Editor of the most popular newspaper in the Soviet Union has been ordered to resign for printing a story hinting at the unpopularity of President Mikhail Gorbachev. Page 29

Waldheim cleared
UK report on wartime activities of Kurt Waldheim, Austrian President, cleared him of responsibility for the execution of Allied prisoners in the Second World War. Page 2

Dresden protest
More than 10,000 East Germans besieged Dresden's city hall to demand news on talks between the mayor and reform-minded protesters, Protestant church sources said. Campaign, Page 3

Nicaraguan arms
Nicaragua appears set to receive new arms supplies from East Germany in preparation for a "final offensive" against the US-backed Contras. Page 4

Summit agreement
Leaders of the Commonwealth agreed on the eve of their biennial summit in Kuala Lumpur that they would not press for any new sanctions against South Africa for the moment. Page 20

Spanish poll threat
Campaigners for the Spanish general election have had a chilling reminder of the threats to democracy by a pledge by Basque terrorists to kill engineers and managers building a new motorway. Page 3

European equal pay
European Court of Justice ruled that employers must prove their pay scales are fair to women if they are accused of discrimination.

World ivory ban
World body controlling wildlife trade formally banned ivory sales, in spite of bitter objections from southern African countries which insisted that their elephant herds are not endangered. Page 6

UK-Argentine talks
Talks between Britain and Argentina, which are intended to improve relations, may go into a third unplanned day tomorrow, said Sir Crispin Tickell, Britain's representative. Page 8

Yeltsin claim
Reformist Soviet politician Boris Yeltsin said the leadership was trying to discredit him with an accusation that he fabricated a claim of an assassination attempt. Page 2

Bush pressure
Bush Administration is stepping up pressure on Congress to produce real cuts in programmes in its deficit reduction package. Page 9

Ministries abolished
Ivory Coast responded to demands by foreign donors and the World Bank to reduce government spending by abolishing 10 ministries. Page 4

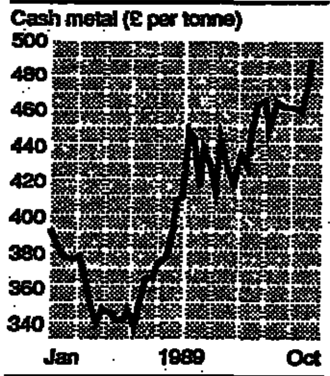
Business Summary

Japanese store group to move base to Hong Kong

YAOHAN, Japanese stores group, is moving its headquarters to Hong Kong and concentrating on developing overseas outlets, in what is believed to be the first decision by any domestic company to quit Japan to move abroad. Page 21

LEAD prices recovered on the LME after Monday's sharp fall. Cash metal added £15.25 to

Lead



£489.25 a tonne – ahead of Friday's eight-year high of £487.50 a tonne. Page 42

AMSTRAD, UK computer company, reported sharply-reduced profits as its share value plunged to 47p. Page 21

FORD, US car maker, has raised its shareholding in Jaguar to 10.4 per cent in a bid to gain control of the UK luxury car maker. Page 21

BOEING, US commercial aircraft manufacturer, could delay a key decision on the launch of its new twin-engined passenger aircraft following financial turmoil on Wall Street. Page 21

MERRILL LYNCH, one of Wall Street's largest securities houses, reported a substantial drop in third-quarter net earnings to $41m, compared with $95.6m in the same period of 1988. Page 24

MALAYSIA'S banking sector is likely to be restructured, so it can help fund a booming economy, and to make up for billion-dollar losses suffered by banks during previous years. Page 25

US has agreed to double its import quota for Mexican steel from 400,000 to 800,000 tonnes for 2½ years from this month until the end of March 1992. Page 7

VAUXHALL, the General Motors UK subsidiary, offered manual employees holiday entitlement of up to eight weeks a year. Page 13

ANCHOR Glass Container, US glass manufacturer, is to be acquired by Vitro of Mexico following a takeover struggle lasting more than two months. Page 24

TURKEY and Canada have reached agreement over Canadian Government guarantees for export credits which will fund construction of the first stage of Ankara's metro. Page 7

CHINA said a tough austerity policy succeeded in slowing the runaway economy, but it would take at least three years to put the economy back on course. Page 4

SOUTH Korean MPs launched a strong attack on land speculation and the inadequacies of the tax system, especially as it affects big companies. Page 4

FRENCH Industry Minister Roger Fauroux is worried that state-owned and controlled companies cannot compete in the current wave of international takeovers. Page 3

CO OP, troubled West German retailer which drew back from the brink of bankruptcy last month, unveiled plans for a far-reaching capital reconstruction aimed at raising $188m in fresh funds. Page 23

MARKETS

STERLING
New York lunchtime:
$1.5815
London:
$1.5825 (1.575)
DM2.9325 (2.9375)
FFr9.97 (9.9825)
SFr2.57 (2.575)
Y223.75 (223.5)
£ Index 89.0 (same)

GOLD
New York: Comex Dec
$370.9
London:
$

N SEA OIL (Argus)
Brent 15-day
$19.65 (+0.175)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.855
FFr6.306
SFr1.627
Y141.60
London:
DM1.853 (1.865)
FFr6.30 (6.3375)
SFr1.6235 (1.635)
Y141.45 (141.85)
$ Index 69.8 (same)
Tokyo close: 142.25

US LUNCHTIME RATES
Fed Funds 8⅝%
3-mo Treasury Bills: yield: 7.65%
Long Bond: 101$\frac{11}{32}$
yield: 7.97%

STOCK INDICES
FT-SE 100:
2,135.5 (−27.9)
FT Ordinary:
1,730.7 (−29.6)
FT-A All-Share:
1,071.59 (−0.7%)
New York lunchtime:
DJ Ind. Av.
2,638.93 (−18.65)
S&P Comp
339.54 (−3.3)
Tokyo: Nikkei
34,996.08 (+527.39)

LONDON MONEY
3-month Interbank:
closing 14$\frac{15}{16}$% (same)
Liffe long gilt future:
Dec 93$\frac{7}{32}$ (92$\frac{13}{16}$)

MARKET REPORTS: CURRENCIES, Page 42; BONDS, Pages 26,27; COMMODITIES, Page 34; EQUITIES, Page 35 (London), 48 (World)

CONTENTS

Egypt sets out to reform its loss-making public sector

Egypt's parlous economy is encouraging lively debate about reform of the country's unwieldy public sector. President Hosni Mubarak has already set his sights on one example of the sort of enterprise that can no longer be supported
Page 19

Higher Rate Taxpayers — maximise the return on deposit

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Senior officials press party line in meetings with workers in southern factories

E German party tries to stem protest tide

By Leslie Colitt in Leipzig

COMMUNIST PARTY officials in Leipzig and Dresden, the scene on Monday night of the biggest outburst of protest against the East German regime for 35 years, are engaged in a desperate hearts-and-minds campaign to stem the unrest and prevent it spreading northwards.

But on first indications, the effort appeared to stand little prospect of success.

Senior party officials in both southern cities visited factories yesterday in an attempt to deal with rising labour unrest. They were confronted by truculent workers whose demands sounded increasingly like those of the protesters in the two cities on Monday night.

The Leipzig party newspaper, Volkszeitung, admitted that talks between party officials and workers were revealing "pent-up contradictions and hardened positions". Medical staff at a Leipzig hospital said they walked out on a meeting with a party official.

Pastor Christoph Wonneberger, a militant Leipzig churchman, said he feared that if the politburo did not soon introduce thorough "structural reforms" the demonstrations could escalate and take a more radical turn.

As was clear from the slogans chanted by more than 100,000 people in Leipzig on Monday, many protesters are broadening their demands to call for free elections, not just the overthrow of the orthodox leadership.

One elderly marcher cited Marxist playwright Bertolt Brecht's biting remark after the 1953 East German uprising: "If the leadership doesn't like the people it should elect a new people."

In Dresden, which I also visited on Monday night, some 20,000 people gathered in front of the town hall to demand that the mayor, Mr Wolfgang Berghofer, appear. They wanted the official reply to demands made by citizens' groups last week.

Another 3,000 Dresdeners attended two packed meetings in the Church of the Cross in the hope of obtaining information. But the mayor did not appear and the Church, which took part in the talks, said it would inform the population yesterday evening.

Mayor Berghofer told a news conference late on Monday night that the demands for political reforms had now been put in the "hands of the City Assembly." However, a young man waiting for a tram in a run-down district of Dresden, complained loudly: "People have had enough and won't stand for these delaying tactics much longer." Others around him shook their heads in agreement.

An article in the Volkszeitung yesterday did little to assuage popular demands for press freedom. It noted that despite the dialogue which had begun in Leipzig, "tens of thousands" of people demonstrated. A senior Leipzig district party official, Mr Jochen Pommert, was quoted as saying "our party pledges changes and wants them. The street is neither the place nor the way to get them."

UK report clears Waldheim of wartime executions

By David White, Defence Correspondent

AN OFFICIAL British report on the wartime activities of Dr Kurt Waldheim, the Austrian President and former United Nations secretary-general, has cleared him of responsibility for the execution and mistreatment of British and Commonwealth prisoners during his service as a German Army lieutenant in the Balkans.

The Ministry of Defence reopened inquiries a year and a half ago following a report by an international commission of historians which found that that Dr Waldheim had lied about his activities and knew about the deportation of Greek Jews to concentration camps.

Mr Archie Hamilton, the armed forces minister, said yesterday the investigation had found "no evidence from which guilt of a war crime could be inferred." The Government, he said, accepted the report's findings.

The report also rejects allegations that British material was later destroyed or censored in order to protect Dr Walheim. It denies that he was sought by the UK for war crimes investigations.

The report covers the cases of dozens British and Commonwealth servicemen captured in Greece, of whom seven are believed to have been executed under an order to exterminate Allied troops involved in commando operations.

It says Dr Waldheim was a "junior staff officer" and that there was no evidence of his being involved in interrogations. He was, however, aware of "the decisions that were made as to the eventual disposal of Allied prisoners brought to Salonika for interrogation by the Headquarters' staff." This included the transfer of prisoners to the Sicherheitsdienst (Security Service) for "special treatment," meaning execution.

But it says his position "was no different from that of many others" at the headquarters of Hitler's Army Group E.

In Washington, the Justice Department that despite the finding that Dr Waldheim was not responsible for the execution of the commandos, he would still be banned from entering the US.

Mr Neal Sher, head of the Office of Special Investigation which looks into Nazi war crimes, also said: "The notion that Waldheim has been exonerated is absurd."

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FINANCIAL TIMES TECHNOLOGY PAGE 26.9.89

Battling Boris takes knock but manages to stay on his feet

By Quentin Peel in Moscow

YET AGAIN, Boris Nikolaevich Yeltsin, the bull in the china shop of perestroika, is in the centre of a rumpus.

This time, he stands accused by no less than Mr Vadim Bakatin, the Interior Minister, of inventing a story about an attempted kidnapping and assassination, and then retracting it and asking the police not to report the incident.

Mr Yeltsin first publicly admitted that no such attempt had taken place, and then yesterday denounced the story as a Kremlin smear attempt.

Less than a month ago he was the centre of another extraordinary row, when Pravda, the official organ of the Communist party central committee, stooped so low as to print a story from the Italian newspaper, La Repubblica, claiming that Mr Yeltsin was drunk throughout his recent lecture tour of the US.

Pravda and La Repubblica were both accused of smear tactics and forced to apologise. Then Soviet television ran an extended documentary about Mr Yeltsin in America, showing him apparently very tired and emotional when he came to deliver his keynote lecture at Johns Hopkins University.

Not only that, but to the horror of many of his warmest supporters, the film clips from US television stations showed him being highly critical of his country to a foreign audience.

Mr Yeltsin remains both hugely popular to the man in the street, and a deeply equivocal figure in the radical reform movement.

As an important party leader – first in the Siberian city of Sverdlovsk, then in Moscow itself, and as a junior member of the ruling politburo – he was frequently accused of arrogance and high-handedness, even if in pursuit of reform rather than propping up the old party structure.

His political judgment has been questioned both by his allies and his opponents. He lost his jobs in the politburo and the Moscow party after a full-frontal assault in November, 1987, on Mr Yegor Ligachev, the leading conservative in the politburo, and by implication on Mr Mikhail Gorbachev, his own protector.

Yet it was the very fact that the apparatus denounced him that has made Mr Yeltsin so popular. He has maintained that position by hammering away at party privileges, conscious that his support is a function of what he is opposed to, not what he stands for.

He made an emotional appeal to be reinstated at the 1988 party conference, which included the resounding words: "The untouchability of the authorities and the infallibility of leaders are intolerable and impermissible in present-day conditions."

Many see him as a radical figurehead essential for Mr Gorbachev to maintain his position in the middle of the political spectrum, with Mr Ligachev on his right.

However, he does appear to have come under increasing pressure in that position, and to have been behaving as if in acute stress. The latest incident in which he walked soaking wet to the police to report his attempted assassination, and then retracted the story, would appear to confirm that.

Yet the very fact that the story was publicly announced – and broadcast on the television news – by the Interior Minister is likely to make the ordinary Soviet citizen deeply suspicious.

They will simply see him as the victim of the "Power" once again. The more the authorities seek to knock him down, the more popular, merited or not, he will become.

Shift in Moscow's views on human rights

By John Lloyd

A "SHIFT in perspective" on human rights is now evident on the part of Soviet authorities, according to Amnesty International.

But detention and arrests on grounds of conscience and dissent continue, and legislative change is slow and patchy.

Amnesty's 29-page report* depicts a system partially reformed by new commitment to human rights and international norms, but partially in thrall to practices dating to a time when the authorities "gave priority to social and economic rights and rejected international human rights monitoring as interference."

The team who drew up the report notes it knew of 837 political prisoners given early release since February 1987, with a further 79 discharged from compulsory confinement in psychiatric hospitals; political arrests had "fallen noticeably"; 600 prisoners known to Amnesty at the end of 1986 to be suffering for exercising human rights had shrunk to 90; and a review, explicitly aimed at bringing Soviet law into conformity with human standards and making it sovereign within the state, had been advertised.

The team found intense debate on the nature of the legal changes within Soviet governing circles, and a "growing number of legal experts (who) have accepted the priority of international law".

The charge of "circulating anti-Soviet slander" has fallen virtually into disuse; and religious believers enjoy a freedom unknown for 70 years.

Unreformed areas of the law remain large. Amnesty is still working on behalf of about 90 prisoners "whom it knew or suspected were imprisoned for non-violent exercise of civil rights"; arrests are still being made, particularly in the Ukraine, for expressing peaceful dissent; a number of those arrested have alleged beatings, and ignorance of civil rights is widespread.

The proposed consitutional changes have yet to come before the Supreme Soviet and many have yet to be drafted.

The more liberal ideas "appear to meet bitter resistance from some Ministries." Little discussion was found on abolishing the death penalty, and it was feared the Soviet prison regime may become harsher.

*USSR: Human Rights in a Time of Change. Amnesty International, 1 Easton Street, London WC1X 8DJ

Ozal throws his hat into Turkish presidential ring

By Jim Bodgener in Ankara

MR TURGUT OZAL, the Turkish Prime Minister, yesterday declared himself a candidate for President. The vote is by members of parliament, and given the commanding majority of his Motherland Party (Anap), he looks set to succeed President Kenan Evren.

The opposition parties have protested that the Premier lacks a popular mandate, citing widespread discontent over inflation and recent opinion polls which put support for Anap at under 14 per cent.

Leaders of the the two main opposition groups, the right-wing True Path party (DYP) and the Social Democratic Populist party (SHP), reaffirmed yesterday that their deputies would boycott the vote.

Mr Ozal is expected to be elected in a third round of voting on October 31, when a straight majority suffices, according to the constitution.

Prof Erdal Inonu, the SHP leader, said his party would hold meetings soon to consider whether its deputies should resign en masse in protest at Mr Ozal's impending elevation. But even Mr Suleyman Demirel, the DYP leader, admitted recently that there was no constitutional way to stop Mr Ozal being elected.

The main question now is who becomes the next Prime Minister and chairman of Anap.

The current favourite is Mr Ekrem Pakdemirli, the Finance and Customs Minister. From the right of the party, Mr Pakdemirli is also a technocrat turned politician, having overseen the export drive in the mid-1980s. Observers say he would be welcomed in the West as a figure with a strong commitment to maintaining the decade-old economic liberalisation programme.

Diplomats said there was still some danger that Anap might split. But on balance, the main factions within the party are believed to be willing to rally round an acceptable compromise.

Peugeot strikers greet pay offer with anger

By William Dawkins in Paris

THE STRIKERS who have crippled production at Peugeot's two biggest assembly plants for seven weeks will this morning vote on the management's final offer in the worst wage dispute in the carmaker's history.

Peugeot made its complex offer, designed to bring the biggest rises to the lowest paid, at midnight on Monday after two days of discussions with the seven unions involved.

The offer is worth 9 per cent to the 690 poorest out of the French group's 59,000 workers, but tails off sharply further up the wage scale, said a Peugeot spokesman.

It was received with anger and disappointment at the Mulhouse and Sochaux plants in north-east France where 4,600 workers were yesterday reported to have stopped work, a large increase on the 1,000 or so on strike before the talks opened at the end of last week.

By yesterday morning, Peugeot production was 53,000 cars behind schedule, 3.8 per cent of this year's planned output of 1.877m vehicles.

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French feel state sector needs more muscle to fight its corner

By William Dawkins in Paris

AN INTENSE debate is going on in the French Government over how to help state-owned and controlled companies hold their own in the current wave of international takeovers.

Mr Roger Fauroux, the Industry Minister, is seriously worried that France's Government-controlled companies, which produce about a third of the country's industrial turnover, lack the financial muscle to fight on equal terms in the worldwide frenzy of mergers and acquisitions.

Their room for manoeuvre has been limited by the refusal of President Francois Mitterrand to countenance either fresh privatisations or nationalisations since the Socialists returned to power last year. But now, the debate on just how far the state shareholder can afford to go, subject to its own budget limits and to EC state aid rules, is moving towards centre stage again.

The options being considered have produced a flurry of rumours in recent weeks, watched anxiously by Mr Pierre Bérégovoy, the Finance Minister, who wants to minimise state intervention, and by the European Commission, which is conducting a fresh crackdown on state aid.

One potentially controversial idea being studied in the Industry Ministry is for the Government to use its credit rating to borrow on world markets for on-lending at advantageous rates to state-controlled companies. Such assistance would be no more than any powerful shareholder has a right to provide, industry officials maintain.

That will not stop the Commission's competition authorities from taking a very hard look at such a scheme, say EC competition officials, who nevertheless strongly deny French suspicions that they have deep doubts about the whole principle of state ownership.

Another possibility is to make more use of surpluses in the annual state budget, under which Mr Fauroux has asked for FFr500m (£50m) for Bull, the state-owned computer maker, which has just agreed to pay up to $635m (FFr4bn) for the computer business of Zenith in the US.

The full Government's ruling on Bull will not come before the end of next month and the timing of any decision on longer term funding for state-owned companies, like the sovereign loans scheme, is very uncertain, say industry officials.

Businesses like Bull, Pechiney, the aluminium producer, and Renault, the car-maker, have debts well over 100 per cent of shareholders' funds, even after receiving enormous state loan write-offs – FFr12bn in Renault's case.

The car industry has special problems, but others need cash badly at a time when the markets for their products are changing very swiftly: like the Thomson defence and electronics group, in the process of preparing for the launch of high definition television; or Pechiney, about to spend FFr4.5bn on a new smelter, only just after digesting the $1bn takeover of American National Can (ANC).

Of course, the state already does provide. The current year's budget contained FFr4bn for contributions to the capital of state companies (as opposed to Renault-style debt write-offs) of which FFr1bn went to Pechiney and FFr500m to small business creation schemes.

The figure rises to FFr4.7bn in the 1990 budget, provisionally earmarked for new technologies, including Thomson's entry into HDTV. Even so, this is very small beer compared to the real investment needs, maintains the Industry Ministry.

Around 10 state-controlled companies have stock market listings and can raise cash through rights issues. But here again they are limited by the facts that the state cannot subscribe pro rata for more shares than private investors and that they cannot issue more than 25 per cent of their capital as non-voting stock.

Some have found ingenious ways round this. Pechiney, for example, was forced to float its international activities last year to raise FFr5.3bn to help the ANC deal. Industry officials are worried that this kind of manoeuvre is costly and cumbersome enough to put state-owned companies at a disadvantage against independent bidders.

But the billion franc question is whether they can convince Mr Bérégovoy and then win over the even tougher EC competition authorities.

Eta death threat sours election mood in Spain

By Peter Bruce in Madrid

CAMPAIGNERS for Spain's general election, hitherto a somewhat flippant and trite affair, have had a chilling reminder of the threats to democracy in the form of a pledge by Basque terrorists to kill engineers and managers building a new motorway.

The threat to the highway between San Sebastian in the Basque country and Pamplona in the Navarra region was published in Egin, a newspaper sympathetic to the separatist group, Eta.

The five main democratic parties in the two regions have said they will terminate all debate with Eta's political wing, Herri Batasuna, unless it condemns the threat.

In the middle of a campaign marked by personal insults, wild accusations and unrealistic promises, the terrorist challenge has briefly united the ruling Socialists, the right-wing People's Party, the constitutional Basque Nationalists, and the left-wing nationalist group, Euskadiko Ezkerra.

The road will vastly improve links between Navarra and the Basque country, and Mr Gabriel Urralburru, Navarra's chief minister, has argued that Eta is simply out to destroy the region's economic development. "Poverty remains the best weapon of fanatics," he says. Eta claims it is acting in support of an environmental campaign against the road.

The separatist movement demonstrated its ability to attack economic targets in 1981 when it kidnapped and killed the chief engineer on the Lemoniz nuclear plant near San Sebastian. But in the last few months it has been damaged by important arrests, and it appears that the Government is about to secure the extradition of some of its leaders from Latin America.

Those Eta cadres who remain at large appear to have little political muscle left in the Basque country. Recent shootings and bombings have shown signs of poor planning and desperation.

The election on October 29 will prove or disprove that theory. Herri Batasuna has five seats in the Cortes in Madrid, which it refuses to occupy, having won 231,772 votes, or 1.15 per cent of the total Spanish vote, in the last election.

Ireland's fishermen fed up with that sinking feeling

European Diary

Ireland

Kieran Cooke reports on some large and unwelcome catches in the nation's nets

ONE BRIGHT April morning this year the Laurel, an Isle of Man trawler, was fishing in the Irish Sea. Suddenly, strange things started happening.

"We were trawling for prawn when I realised the whole vessel was moving backwards," said Mr Geoff Comber, the skipper. "I just couldn't believe it at first. According to our equipment, we were going astern at 3.6 knots. We are well accustomed to getting our gear caught on the bottom, but there isn't anything on the bottom which is going to tow you backwards at three and half knots."

A submarine had snagged the Laurel's nets. After half an hour of being pulled helplessly about, the stern of the Laurel was getting dangerously close to the water line. The only alternative to being dragged under was to cut more than £3,000 worth of nets.

The US Navy later admitted responsibility. A spokesman said that, at the time of the incident, there was no indication on board the submarine of what was happening.

The Irish Sea is alive with submarines. The area, called "submarine alley" by fishermen, is one of the main routes out of US and Royal Navy submarine bases at Holy Loch and Faslane on the west coast of Scotland. Many of the submarines are nuclear powered, half the length of a football pitch, the height of a two-storey house. French and Soviet submarines on their way to and from the North Sea also use the Irish Sea regularly.

Fishermen and yachtspeople are becoming alarmed about what they feel is an increasing threat from the deep. The British Ministry of Defence says that since 1979 there have been 14 incidents in which its submarines have collided with fishing boats or their gear in waters round Britain. Two yachts have also been hit. The US says its been involved in two snagging incidents.

Fishing and yachting associations feel the official figures are underestimated. Mr Frank Doyle, of the Irish Fishermen's Association (IFO), says submarines act as a law unto themselves. "The whole thing with submarines is secrecy. They don't announce where they are or what they are doing. Ireland isn't in Nato and hasn't the clout to tell these people to stop endangering lives.

The first significant incident in the Irish Sea involving a submarine was in 1982, when the Irish trawler Sharelga was dragged backwards for several miles before sinking. The Royal Navy submarine involved, HMS Porpoise, did not stop. The Sharelga's five crew were eventually rescued by other fishing boats.

The IFO says that at first the British navy denied responsibility for the incident. Four of the Sharelga's crew were finally given compensation by the British Defence Ministry last year.

Under international law, foreign warships are allowed the right of innocent passage through the territorial waters of another state. Submarines are required to travel on the surface and to fly national flags. Irish fishermen say the law is frequently flouted.

Last April an Irish Navy patrol boat sighted a submarine inside Irish waters. It was not flying any flag. The submarine was challenged and hoisted the US ensign.

In September the Dublin Government called in the British ambassador to express its "deep concern about the danger to life and property" posed by submarines following an incident in which a British nuclear submarine on a Nato exercise dragged an Irish trawler astern. In this case the trawler managed to claim some booty, hauling in a three tonne sonar device which the submarine had been towing. Fishermen are now lodging a compensation claim.

Fishermen and yachtspeople have blamed submarines for a number of unexplained sinkings. In 1982 a 30-foot yacht was hit by an underwater object in the Irish Sea. The yacht sank. The owner said a periscope had crashed up through the keel of his boat.

In 1983 a French trawler sank in good weather off the Irish coast. All 10 on board were drowned. Last March a Belgian trawler sank off the Isle of Man. The weather again was good. No distress call was received. All five on board were lost. Several boats have reported sudden "freak waves" which they believe have been caused by the wash of the 300-400 foot long nuclear submarines.

Commodore Paul Hoddinott, of the Nato centre at Northwood in Middlesex, says that while Nato submarines deserve blame for some incidents, they cannot be blamed for everything. "We are as concerned and puzzled about some of these unexplained sinkings as anyone else. We don't cover up any submarine encounters. We examine all incidents that are brought to our attention and respond

Irish fishermen are not satisfied. The IFO's Mr Doyle wants a ban on all submarine traffic in the Irish Sea.

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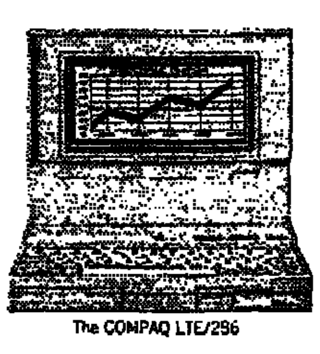

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Austria to lower budget deficit again

By Judy Dempsey in Vienna

AUSTRIA'S budget for next year, presented to Parliament yesterday by Mr Ferdinand Lacina, the Finance Minister, aims to bring down the net federal deficit to 3.5 per cent of gross domestic product. The deficit reached a peak of 5.1 per cent of GDP in 1987.

Mr Lacina said the Socialist-led coalition Government was now within its target of reducing the deficit to 2.5 per cent of GDP by 1992.

Total expenditure for next is estimated at Sch549bn (£26.5bn), an increase of Sch20.2bn over this year. Income is expected to increase by Sch23.5bn over the same period following the recent tax reform which abolished tax exemptions, and broadened the tax base while cutting top rates.

The Government's attempts at consolidating the budget coincide with a continuing expansion of the Austrian economy which is expected to grow in real terms by 4.2 per cent this year and 3 per cent in 1990.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Lisbon aims to maintain rapid growth

By Patrick Blum in Lisbon

THE PORTUGUESE Government yesterday unveiled a budget for 1990 which aims to maintain one of Europe's highest growth rates while curbing inflation.

Mr Miguel Cadilhe, the Finance Minister, said the budget was "neither expansionist nor contractionist." Credit, which was tightened in March to curb demand and rapidly rising inflation, will remain strictly controlled. The economy is expected to grow at a 4 per cent rate, slightly above that for this year. Inflation should fall from 12-13 per cent this year to 9.5-10.5 per cent.

The budget deficit is forecast to grow from an expected Esc439bn (£1.75bn) this year to more than Esc601bn (£2.4bn) next: about 7.5 per cent of the gross domestic product, roughly the same as in 1989.

Mr Cadilhe said the government deficit was entirely due to interest payments of Esc737bn on public debt, without which there would be a surplus. Total government spending will rise by about 15 per cent to Esc2,554bn, with fiscal revenue set at Esc1,796bn. The Government is setting high priority on education and health which will absorb almost 39 per cent of total spending.

Infrastructure and investment in general public works will also be given a boost in an attempt to speed up the country's modernisation and integration in the EC.

Mr Cadilhe expects financial inflows from the Community to reach about Esc230bn next year, compared with Esc175bn this year.

A small tax reform will reduce the burden for families by about 20 per cent. The Government nevertheless hopes that the reform will improve tax returns and help raise fiscal revenues. It will also benefit from further sales of state-owned assets, forecast to reach Esc150bn next year.

OVERSEAS NEWS

ANC man rules out 'guarantees' for whites

By Patti Waldmeir in Johannesburg

MR Ahmed Kathrada, one of the African National Congress leaders released last weekend in South Africa, yesterday ruled out guarantees for minority rights in a future constitution.

In one of his first interviews since his release from 26 years in prison, Mr Kathrada said yesterday that he did not see the need for such guarantees. The ANC has always held that these are unnecessary.

"The fear of domination (among whites) is an unfounded fear, a fear for which this government is responsible," Mr Kathrada said, adding that the ANC's political programme was non-racial.

"I have no doubt that there is absolutely no need for any minority guarantees so long as we can convince the people of South Africa that the ANC stands by its stated policies."

Pretoria has given a cautious welcome to public comments made earlier by some of the eight ANC men since they were freed, including those made by Mr Walter Sisulu.

Mr Gerrit Viljoen, the Minister whose portfolio includes attempts to bring black South Africans to the negotiating table, said yesterday he was willing to confer with Mr Sisulu and other ANC leaders over pre-conditions for negotiations.

Mr Viljoen's views, put forward in interviews with a number of local newspapers, were more conciliatory than previous statements by the Government on the question of negotiations with the ANC.

The ANC was obviously not ruled out of talks, he said, so long as they "distance themselves from violence".

The release of the eight prisoners was meant to "test the waters" before the Government could consider other steps to "normalise the security and political situation".

Mr Kathrada, who spoke to journalists along with Mr Andrew Mlangeni, another released prisoner, ruled out the creation of an internal, political wing of the ANC, which might be allowed to operate legally in the country while the military wing of the ANC in exile remained banned.

Pretoria was attempting to divide the movement by suggesting that it might split into internal and external groups, the two men argued.

"There is only one ANC, and we have reason to believe that it already operates in South Africa," Mr Kathrada said.

Attempts to divide the movement into one group led by Mr Nelson Mandela — the jailed ANC leader who is viewed by Pretoria as a more moderate force — and another led by someone else were bound to fail, Mr Kathrada said.

However, it has become clear recently that some divisions already exist within the movement, especially over the issue of the talks Mr Mandela has held with government ministers, and with former President P.W. Botha, while in prison.

Gandhi marshals his forces in battle for survival

David Housego explains why the beleaguered Indian Prime Minister has decided to call an early general election

THERE WAS almost a tangible sense of disbelief in Delhi yesterday morning as word got round that Prime Minister Rajiv Gandhi had called a general election for late November. All political forecasters, including the opposition, believed that Mr Gandhi had planned to hold on as long as possible - at least until the end of the year and possibly into January or February.

Mr Gandhi appears to have to have decided on an early poll on Thursday as his government faced the prospect of defeat in the Upper House of Parliament over what he considered an electorally popular measure to provide more decentralisation at village level.

Opposition members said yesterday they believed the main reason why Mr Gandhi had accelerated the electoral timetable was to sow maximum discord among the opposition by allowing the campaign to coincide with the planned march by Hindu militants on Nov 9 to lay the foundation stone of a new Hindu temple on the site of mosque at Ayodhya in northern India.

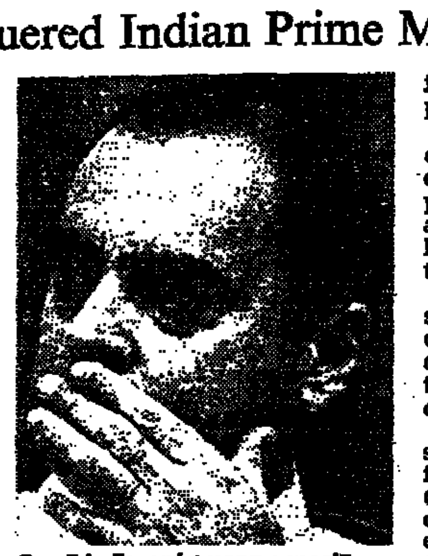
There is no single issue that has so enflamed communal tensions in recent years and none that has caused such division among the opposition.

The Hindu BJP party, a major component of the opposition, backs the march as reclaiming from the Moslems ground that was allegedly the birthplace of Ram, the Hindu god. The Communists denounce it as a death blow for Indian secularism. Mr V.P. Singh the leader of the opposition has taken an ambiguous position, shifting among his coalition partners in a bid to reconcile them while at the same time trying to appease the Moslems who account for 10 per cent of India's 800m population.

The explosive issue has already caused bloodshed and rioting in several towns in the Hindi speaking belt of north India and yesterday Mr Singh appealed to Hindu militants to call off the march.

Unless opposition parties can reach an agreement on this issue, they will not be able to agree on joint candidates against Mr Gandhi and without seat adjustments to ensure they fight Congress on a one-to-one basis they are lost.

If this seems the major reason for the timing, other factors weighed as well. The defeat of the constitutional amendment required to enact the Panchayat (village decentralisation) bill clearly gives Mr Gandhi the



Gandhi: discord among opposition

chance to campaign on obstruction by the opposition - but the issue is too technical to carry many votes. More important, Mr Gandhi had good reason to fear he could be further damaged by continuing publicity over Bofors. A snap poll puts paid to that.

Few doubt however that this is a campaign in which Mr Gandhi is fighting for his political life in an election that will be as closely fought as any in India's post independence history.

Whatever the outcome, the shape of government is likely to be different from the centrally controlled, personal style that has marked the administrations of Mr Gandhi and his mother. Mr Gandhi cannot hope to repeat his 1984 landslide.

If he wins it is likely to be with a small majority leaving him more dependent on the regional party barons. He could equally find Congress the largest single party but in need of partners to form a government.

Against the Congress is an opposition different from the one it has faced before. The Janata party that defeated Mrs Gandhi in 1977 - the only time Congress has been beaten electorally - was a national party. Its successor, the Janata Dal that Mr V.P. Singh heads is a northern farmers party. Its allies in the National Front coalition are also regional based parties. Even the Communists are increasingly confined to regional strongholds like West Bengal or Kerala.

Mr V.P. Singh has held this boatload together much better than anybody expected him to earlier this year. But though recognised as leader, he still does not have the authority to enforce his claims to be Prime Minister in the event of an opposition victory.

He said yesterday that the Premiership would be decided by "democratic processes". In other words an opposition victory would give India coalition rule as well - and one whose stability was uncertain.

Most observers expect the campaign to be a violent one. The possibility that it will coincide with the Ayodhya march carries the real risk of communal conflagration in northern India. But apart from that politics has become more violent, more associated with crime and with abusive language. The last Parliament ended with the mass resignation of the opposition at Mr Gandhi's refusal to step down over the Bofors scandal and such an extreme gesture in a sense set the stage for what was to follow.

Mr Gandhi's strong card is still the image of leadership and continuity provided by the Nehru family name. His campaign will concentrate on the risks of instability and increase in communal tension that an opposition victory could bring. He has difficulty in emphasising the stronger economic expansion of recent years because it has been accompanied by increased inflation that has eaten into the living standards of the rural poor.

The opposition will focus its campaign on rising prices and the Bofors issue as a symbol of a government lining its pockets at the expense of the poor. Its major difficulty is to project Mr Singh as a national figure able to keep his coalition partners under control.

Notwithstanding the likely bitterness of the conflict, there is no major difference between the two sides over economic policy. Many opposition leaders are old Congress hands - like Mr V.P. Singh himself a Finance Minister under Mr Gandhi - and advocates of further economic liberalisation. The major policy difference is that the opposition would give far greater decentralisation to the states.

The business community remains remarkably unperturbed by the outcome of the election. It believes economic liberalisation has achieved a momentum that cannot be reversed and any future government will need to give more scope to the private sector to achieve higher growth. Its main worry is that an opposition victory could herald a period of instability with disruption to rail or electricity supplies that would be damaging to the smooth running of the economy.

China's runaway economy slows

A TOUGH austerity policy this year succeeded in slowing China's runaway economy, but it will take at least three years to put the economy back on course, the Government said yesterday, Reuter writes from Peking.

The People's Daily quoted Yuan Mu, spokesman of the State Council, China's Cabinet, as saying industrial output grew in the first nine months by 8.9 per cent from the same period last year, down from 17.7 per cent in 1988 over 1987.

Inflation is falling, the grain harvest this year will be at least 3.5m tonnes more than last year and soaring capital investment has been slowed, all helping to create greater stability than expected, he said.

Inflation climbed to more than 30 per cent year-on-year in the first quarter, a 40-year record, before falling to 17 per cent in July, thanks to the austerity programme introduced in September last year.

But, Yuan warned that a number of problems such as low efficiency and enormous waste, runaway capital construction and an irrational structure, with loss of control in some areas, had all worsened since 1984 and would need at least three years to be cured.

He blamed these economic illnesses on policies that improved micro-economic management and decentralised decision-making, but neglected the macro-economic and ignored centralised controls, resulting in chaos in marketing and distribution.

A Western diplomat said this was a clear criticism of former Communist Party chief Zhao Ziyang, who was in charge of the economy as premier from 1980 to 1987 and dismissed in June after being accused of splitting the party and supporting student-led protests that were put down with tanks and troops.

"Yuan's remarks seem to be an effort by the current leadership to distance themselves from inflation and economic corruption, key targets of public discontent, by blaming them on Zhao," the diplomat said.

Official figures give little cause for optimism. Capital investment fell in the first half over the same period in 1988 but the drop was less than 10 per cent of the targeted cuts for the whole year.

Money in circulation at the end of June was 35 per cent more than a year earlier, far higher than the increase in output. Such an excessive increase in money supply has been one of the main factors in fuelling inflation.

S Korea to curb rise of speculators

By Maggie Ford in Seoul

SOUTH KOREAN MPs yesterday launched a strong attack on land speculation and the inadequacies of the tax system, especially as it affects big companies.

In questions to ministers in the National Assembly, they accused several state-owned corporations charged with providing housing for the underprivileged of speculating in property.

The land and housing issue has assumed important political overtones in South Korea after a surge in house prices. The Government is to introduce a controversial land reform Bill into the Assembly shortly. It will include punitive taxes on property speculators.

Both opposition and government MPs focused on the inability of the tax system to cope with unearned income, both from stock market investment and property. The MPs expressed serious concern about the position of middle-class salary earners and the lower paid, who were having difficulty in buying their own homes.

Mr Lee Kyu Sung, the Finance Minister, told the Assembly that the Government planned to deal with speculators from 1991 by demanding full disclosure of personal indentity in financial transactions such as share deals.

Officials say that the computerisation of land ownership will be complete by the beginning of next year, enabling a new tax system to be enforced.

Mr Lee stressed the Government's intention to develop a modern fiscal system to reduce the concentration of wealth in the hands of big companies and individual speculators, and to develop a fair and open economic system.

World body votes to ban trade in ivory

THE WORLD body controlling wildlife trade formally banned ivory sales yesterday, despite bitter objections from southern African countries which insist that their elephant herds are not endangered, AP reports from Lausanne.

A plenary session of the Convention on Trade in Endangered Species, or CITES, approved without vote a compromise proposal which placed elephants on the endangered list but also created a special panel of experts to consider exemptions in the future.

Objecting nations have three months to file reservations, allowing them to sell ivory to other CITES countries which also reserve or to more than 60 non-CITES members.

Zimbabwe took the hardest stand among the opponents of the proposals, and delegates said there was a good chance it may withdraw completely from the convention.

"This would hurt us a lot," said Mr Rowan Martin, director of research in Zimbabwe's Park and Wildlife Department. "But it shows how much this means to us."

Mr Johannes Neethling, the South Africa's delegate, said the vote punished those countries which successfully managed their wildlife. He said he expected his government to file a reservation within the 90 days.

Earlier, Botswana, Malawi, Mozambique, as well as Zimbabwe also announced they planned to file reservations. They claim they need the proceeds from ivory sales to maintain successful management. They were joined by Burundi which has no elephants left but has a stockpile of 86 tons of suspect ivory.

The Endangered Wildlife Trust of South Africa sent a statement from Johannesburg urging that the country refused to deal in ivory. "The ivory business is rotten to the core," it said. "By continuing to trade in ivory, South Africa finds itself in the company of ruthless poachers, smugglers and criminals who will kill the last elephant in Africa to satisfy their greed..."

The plenary session followed yesterday's committee vote where the compromise formula, proposed by Somalia, received the required two-thirds majority.

Under the new measure, countries may be granted exemptions from the ban if they can prove to a special panel of experts that sound wildlife management stabilised their elephant populations.

Countries granted exemptions would be allowed to resume limited ivory trade. But no exemptions are likely to be considered before the next conference of CITES in 1991.

HONG KONG TO ABIDE BY RULING

A Hong Kong government official said last night that the colony would abide by a moratorium on ivory trading agreed on Monday at a meeting of the United Nations' Convention on Trade in Endangered Species, John Elliott writes from Hong Kong.

Mr Tony Bennett, deputy director of Hong Kong's agricultural and fisheries department, said the colony always followed CITES resolutions. But Hong Kong, which is the world's biggest ivory centre, wants trade in existing stocks to continue to meet residual demand. Otherwise it says the demand will be met through poaching. It is awaiting a ruling on this from CITES.

Ivory Coast closes 10 ministries

By Mark Huband in Abidjan

THE Ivory Coast yesterday responded to demands by foreign donors and the World Bank to reduce government spending by abolishing 10 ministries.

The radical Cabinet reshuffle cut the number of ministries from 39 to 29 and is likely to go some way towards satisfying creditors ahead of talks in London at the end of the month on the rescheduling of the country's $14.5bn foreign debt.

Mr Moise Koumoue Koffi, the former Budget Minister, was promoted to Minister of Economy and Finance. Mr Koffi is expected to handle the debt negotiations, with current financial needs put at $4bn.

Some $380m was made available at a donor meeting in Paris last week.

Among the main casualties of the reshuffle was the Agriculture Minister, Mr Denis Bra Kanon, who had held the post for 16 years, and had been seen as a possible successor to President Felix Houphouet-Boigny.

He was replaced by Mr Vincennes Pierre Lokrou. However, direct responsibility for the country's cocoa production is expected to be taken over by the office of the 83-year-old President.

Although the reshuffle will be seen as a sign that the President does listen to his critics, it is unlikely to satisfy the growing political opposition.

The prospect of a general election next year has led to more demands for a genuinely democratic contest. The ruling Democratic Party (PDCI) has held power for the 30 years since independence.

President Houphouet-Boigny has relied on national debates, called "dialogues", to allow criticism of policy from the country's professional bodies. It was in one such debate last month that the size of government was also criticised by 20 out of the 23 speakers.

Angolan peace hopes rise after talks in France

By George Graham in Paris

HOPES of a renewed dialogue over the conflict in Angola have been kindled after talks over the weekend between the different parties and President Mobutu Sese Seko of Zaire.

All sides have maintained complete silence over the contents of the talks, held at the Zairean President's seaside villa in the south of France, but diplomats said that Mr Mobutu appeared once again to have been accepted by Unita, the resistance movement led by Mr Jonas Savimbi, as mediator in the conflict.

Mr Savimbi had originally been due to remain in France until the end of this week, but left early yesterday for Africa. This hastened departure is understood to be due to the success of the contacts.

Besides Mr Savimbi, Mr Mobutu met Mr Pedro de Castro van Dunem, Angola's Foreign Minister, Mr Herman Cohen, US Assistant Secretary of State for African affairs, and Mr Pik Botha, the South African Foreign Minister.

An agreement had seemed to have been negotiated between the Angolan Government and Unita at a summit meeting at Gbadolite in Zaire in June. Mr Savimbi, however, quickly contested the interpretation placed on the ceasefire terms.

Mr Cohen, the US assistant secretary, said in Paris yesterday that his country, one of the principal backers of Mr Savimbi, had encouraged Unita to continue to work with Mr Mobutu towards a ceasefire.

He warned, however, that the US was ready to continue to support Mr Savimbi until "national reconciliation" had been achieved in Angola.

Gadaffi's turn to fete Mubarak

By Tony Walker in Cairo

THE Egyptian and Libyan leaders yesterday continued their cross-border summit festival when President Hosni Mubarak travelled to Tobruk in Libya for further reconciliation talks with Colonel Muammar Gadaffi.

The soberly-dressed Mr Mubarak was warmly embraced by a white-suited Col Gadaffi when he arrived at the Tobruk airbase. It was the first visit to Libya by an Egyptian leader in 17 years.

"One people, not two from Marrakesh to Bahrain," shouted a large crowd on Mr Mubarak's arrival. "Yes – one people," the Egyptian leader reportedly responded. The two leaders met on Monday at the resort town of Mersa Matruh near the Libyan border. The meeting marked a further improvement in relations between the neighbors. As yet, there has been no word on a resumption of diplomatic ties.

Israeli officers face reprimand over MiG

Two Israeli Air Force colonels are to be reprimanded following a high-level inquiry into how a Syrian defector was able to pilot his MiG-23 fighter across the border and land in Israel last week without being challenged or intercepted, Hugh Carnegy writes from Jerusalem. Gen Dan Shomron, the Chief of Staff, said a colonel would be reprimanded for poor judgment in not ordering action against the MiG. A Lt-Col who gave an inaccurate report would also be informed of his error.

UK, Malaysia sign drugs pact

By Roger Matthews in Kuala Lumpur

BRITAIN and Malaysia yesterday stepped up their mutual fight against drug abuse, signing an agreement which will allow for joint action in the prosecution of drug traffickers and the confiscation of their profits.

This is the tenth such bilateral pact signed by Britain. Mrs Margaret Thatcher, the Prime Minister, said after signing the agreement with Dr Mahathir Mohamad, her Malaysian counterpart, that it formed part of a three-pronged attack. Governments had first to strike at where the "deadly crops" were produced: second, they had to persuade young people not to buy drugs; and, third, they had to make certain that peddlers never believed that they could live on their illegal profits.

Under Dr Mahathir, Malaysia has adopted a stringent and sometimes highly controversial anti-drug trafficking campaign, with mandatory death sentences imposed.

At a press conference setting out the agenda for today's opening session of the Commonwealth conference, Dr Mahathir warned that drug barons had become so powerful that they could now threaten and even subvert individual governments. He urged the more developed nations to assist the poorer countries financially in their fight.

Mrs Thatcher said she detected a network of agreements closing in on the drug dealers, and emphasised that because drugs had become such an international problem it was vital that all countries should co-operate.

NZ enjoys highest growth for 3 years

NEW ZEALAND'S economy has recorded its highest growth in three years but economists warned yesterday that the recovery from recession would remain slow, Reuter writes from Wellington.

While New Zealand's share market shrugged off Monday's heavy losses, a leading bank's decision to raise its key interest rate put another damper on economic optimism.

The Department of Statistics published figures yesterday showing Gross Domestic Product grew 2.3 per cent in the three months to June, matching growth in the June quarter of 1986. GDP rose just 0.1 per cent in the March quarter this year.

But the economists said a small consumer spending boom had distorted the figures and New Zealanders still faced a hard slog out of the recession that hit the country after the October, 1987, world stock market crash.

Mr Kevin Smit, an economist at National Bank, said consumers went on a spending spree in the June quarter to beat a rise in the goods and services tax (GST) on July 1. He said the next GDP figure would be much weaker.

"It's clear that the data was very much GST-driven so you would expect that in the September quarter it will be offset," Mr Smit said.

Somali army units join rebels

PRESIDENT Mohamed Siad Barre of Somalia has admitted for the first time that some of his troops had mutinied, Reuter reports from Mogadishu. His statement came as anti-government rebels accused Libya of sending troops and heavy weapons to back the Siad Barre regime in an increasingly bitter conflict.

The President told farmers meeting in the capital Mogadishu on Monday night that some government troops had "turned the barrel of the gun against those who trained and equipped them".

Without giving details, he condemned rebellious soldiers who he said were fighting loyalists in southern and northern Somalia and backing rebels of the Somali National Movement (SNM). The SNM, which is demanding political and economic reforms in the impoverished east African nation, has been fighting since 1981 to topple Mr Siad Barre, who seized power in a 1969 coup and turned the country into a one-party state.

"We have been pressured to liberalise the economy. We accepted. They urged us to reintroduce a multi-party system. We accepted that idea. What else do they want from us?" he asked angrily.

The SNM has reported frequent mutinies among government troops especially in the north, where the rebels last year fought heavy battles which nearly destroyed Hargeisa, the region's largest town. The SNM said yesterday that Libya had sent 700 troops, tanks, armoured cars and thousands of tonnes of ammunition to Somalia to help the Government fight them.

"The Libyan troops ... comprise pilots, technicians, tank and artillery crews and other specialised units," said an SNM statement.

Israeli Radio, also reporting the alleged delivery of Libyan arms, said the weapons had been rushed to government troops in northern Somalia.

The SNM statement said Libyan leader, Colonel Muammar Gadaffi, who in the past has not openly backed the Somali Government, was expected to attend celebrations in Mogadishu on Saturday marking the 20th anniversary of Mr Siad Barre's coming to power.

Kenya paints picture of success to Western donors

Julian Ozanne reports on how structural adjustment has given the economy a fillip

KENYA'S sound economic track record over the last year, the result of the successful implementation of the Government's structural adjustment programme, backed by the International Monetary Fund and the World Bank, will be presented to international donors in Nairobi today.

Western donors and diplomats will be holding talks with Professor George Saitoti, Vice President and Minister of Finance, designed to follow up to last year's Consultative Group Meeting in Paris which reviewed economic progress and assessed the country's external financing needs for 1990.

In an interview in Nairobi last week, Professor Saitoti said that last year's growth rate of 5.2 per cent was achieved "because of the Government's strong commitment to firm economic and fiscal reforms and wide ranging adjustment in the industrial, agricultural and financial sectors".

But he warned that without continuing flows of concessional donor support, the balance of payments over the next two years would come under strain, making it difficult to keep the programme on track.

A Ministry of Finance discussion paper, to be circulated to the mini-donors meeting today, says savings in the economy increased by one percentage point to 18.3 per cent in 1988 over 1987, while the corresponding investment ratio rose to 26.7 per cent. And it predicts a growth rate of 4.9-5.0 per cent for 1989.

However, although the projected overall balance of payments position shows an improvement from a deficit of Ksh 2.09bn (£61m) in 1987 to a surplus of Ksh 830m in 1989, this masks a deteriorating current account deficit from Ksh 7936m in 1987 to Ksh 1bn this year.

Much of this year's deterioration can be attributed to the collapse of the international coffee prices, increase in the price of petroleum imports and the larger than expected growth in imports. Import growth is due partly to larger than targetted government imports, but is mainly because of the Government's far-reaching import liberalisation policies.

In order to maintain an acceptable build-up in net official reserves, currently running at about 10-12 weeks of imports, the Government is asking donors to meet an additional financing gap this year of Ksh 720m.

For 1990 the Government is predicting a current account deficit of Ksh 9.16bn and an overall deficit of Ksh 3.2bn, a prediction based on continuing strong demand for imports to sustain a targeted growth rate of 5.4 per cent. The Government is therefore asking donors for additional support of Ksh 3.95bn, mostly in balance of payments support loans and grants, on top of the existing donor commitments.

Although there is a feeling that this figure may be a little high, most donors, buoyed by the Government's economic performance, are expected to make a positive response.

Donor confidence has been further strengthened by solid IMF and World Bank support this year. An Enhanced Structural Adjustment Facility worth SDR 241.4m (£195m) over three years, and a World Bank Financial Sector Adjustment Credit worth about $120m have already been approved. The second tranche of the Industrial Sector Adjustment Credit worth $60m is expected to be disbursed imminently following the successful conclusion of protracted negotiations between the Government and the Bank over the restructuring of development finance institutions.

But donors will express some concerns today, mainly on the budget deficit. In the brief presented to the meeting the Government is predicting a deficit level of 4.6 per cent of GDP as opposed to a target of 4.2 per cent agreed with the Bank and the Fund.

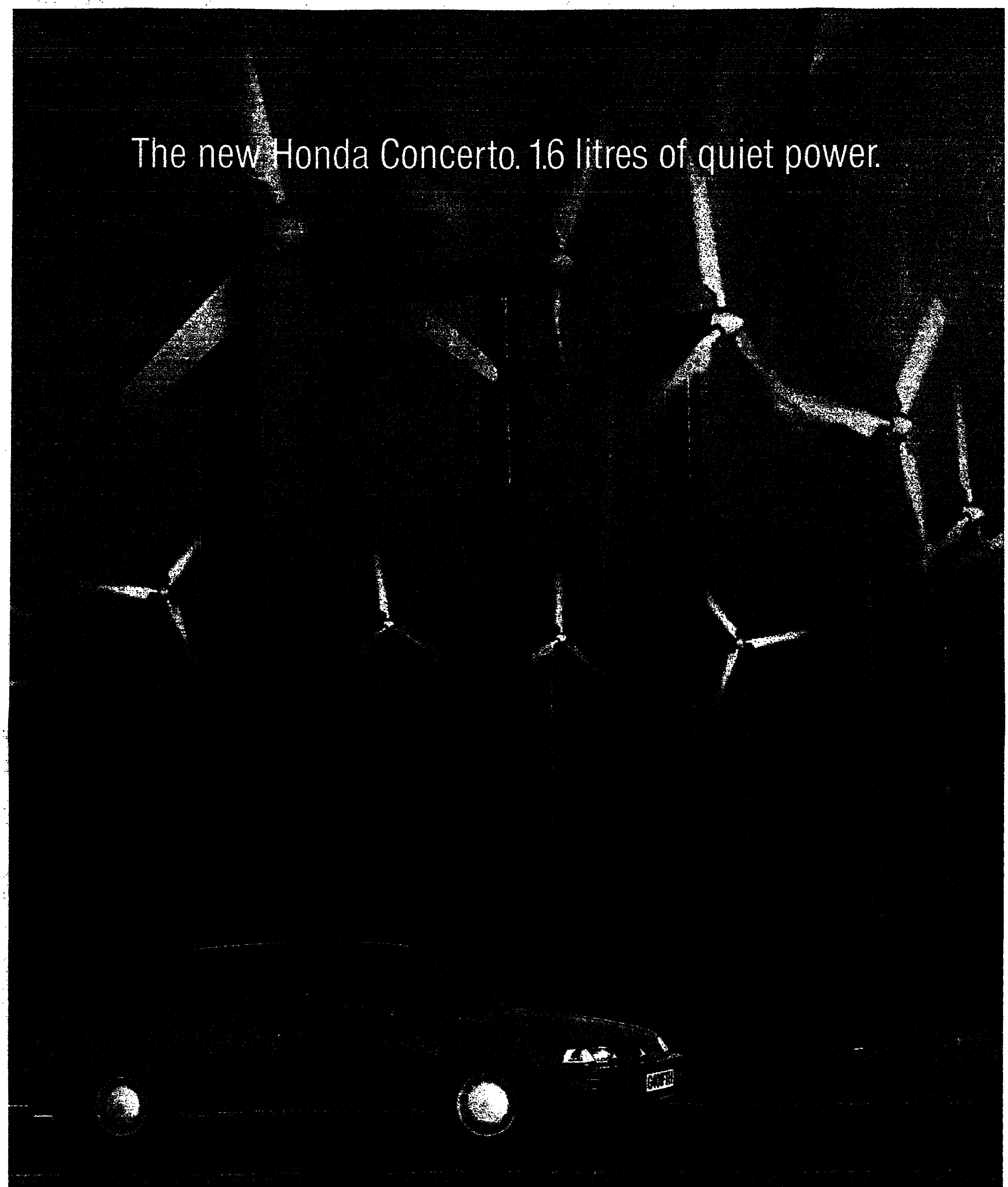
The Government attributes this over-shoot to the increased public expenditure programme form the absorption of concessionary loan resources on high priority projects such as the Nairobi Water Supply and the financial sector loan. But most donors feel expenditure on these projects should have been contained within the 4.2 per cent target.

Reallocation of expenditure towards operation and maintenance rather than personnel will be stressed by most donors, as will moves to raise government revenues. But these concerns will have been ameliorated significantly by the announcement last week of a comprehensive package of nationwide hospital charges, together with donors' acknowledgement that Kenya's high rate of population increase makes increases in public spending difficult to curb.

Some donors will also press the Government on the stifling effect of price controls on industry. Although several items have been decontrolled over the last year several industries, particularly petroleum, sugar and cement are struggling against the arbitrary system of price increases.

Progress on private investment and the development of non-traditional exports are other issues expected to be raised. The meeting will also consider a paper prepared by the Government on development of arid and semi-arid lands and small-scale enterprises.

Overall most donors feel the Government has performed strongly, particularly recently and that Kenya deserves support. The World Bank is expected largely to endorse the Government's economic track record and announce plans for two further sectoral loans for agriculture and industry and quick disbursing operations for the education and health sectors.



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Moscow tries moving closer to Somalia

Robert Patman examines US and Soviet relations in the troubled Horn of Africa

THE reverberations of Soviet "new thinking", already being felt in Ethiopia where the Soviet Union says it is doing its utmost to promote a negotiated settlement to the Eritrean rebellion now extend to Somalia.

The embattled regime of President Siad Barre, beset by rebel activity in the north, is currently allied with the United States.

But overtures made recently by Moscow could weaken this alliance, reinforce the influence of a pro-Soviet group within the Somali Government, and may indirectly add to the pressure on Ethiopia to reach agreement with the Eritrean People's Liberation Front (EPLF) in preliminary peace talks due to restart in Nairobi on Nov 18.

An indication of the Soviet Union's apparent reappraisal of the relationship with Somalia came in August when a Somali military delegation, led by Maslah Mohammad Siad, Chief of Staff of the armed forces and son of President Siad Barre, held talks in Moscow with the Soviet Defence Minister, General Dmitri Yazov.

This was followed up by a Soviet trade delegation to Mogadishu, as part of what seems to be a growing raprochement between the two countries.

Until 1986, official contacts between Moscow and Mogadishu were virtually frozen. The principle cause was the Ethiopian-Somali war of 1977-78.

In November 1977 Somalia, angered by Moscow's refusal to support its invasion of the Ogaden, in eastern Ethiopia, expelled an estimated 1500 Soviet military advisers and abrogated the 1974 Soviet-Somali Treaty of Friendship.

As a result the USSR wholeheartedly backed Ethiopia and launched a massive intervention to inflict a crushing defeat on Somalia.

After the war, the Soviets consolidated their alliance with the Government of President Mengistu Haile Mariam through generous military aid.

In August 1980, the US and Somalia signed an agreement whereby access to military facilities at the port of Berbera and elsewhere were granted to the US Rapid Deployment Forces in exchange for American military assistance.

The Gorbachev Government, however, decided that a policy of military confrontation in the Horn of Africa could not be sustained.

Fresh emphasis has thus been placed on the political settlement of the region's conflicts. Contacts with Somalia were resumed. In November 1986 a Somali delegation made an official visit to Moscow for the first time in nine years.

In April 1988, Ethiopia and Somalia signed a peace accord. This cleared the way for closer Soviet-Somali co-operation, and in February this year, Mr Anatoly Lukyanov, a close aide of Mr Gorbachev (and now First Deputy Chairman of the Supreme Soviet) received a personal envoy of the Somali President in the Kremlin for talks.

Then in June, Mr Mikhail Kapitsa, a member of the Supreme Soviet Committee for International Affairs, visited Somalia and discussed the question of creating joint business ventures with President Siad.

Why, then, is the Gorbachev leadership courting Mogadishu? Soviet writers on East Africa frankly admit that the Siad Barre regime is facing a major political crisis.

In northern and central Somalia there is a fierce and destructive civil war, while the capital, Mogadishu, has recently seen large scale anti-government rioting.

For Soviet observers, Somalia appears ripe for political change and presents an opportunity to influence that process.

A recent commentary by Mr Vladimir Borisov, a leading Soviet commentator, alluded to the "acute power crisis" in Somalia and stated that it was the intention of the 70 year old Somali President to hand over power to his son, Maslah Muhammad Siad, who led the military delegation to the Soviet Union.

Other Soviet commentators such as Alexei Bukalov, who has described himself as "a Somalian old-timer", stress that there are many Soviet trained officials within the present administration who occupy responsible posts.

The Prime Minister, General Mohammed Ali Samantar, for example, is a graduate of the Moscow Military Academy.

In addition, the Soviet attitude may be shaped by the apparent strains in the Somali-US relationship. President Siad Barre makes no secret of the fact that he is dissatisfied with the level of US military aid.

Washington, for its part, does not want to do anything that might jeopardise the long standing objective of luring Ethiopia away from the Soviet fold.

Moscow's new opening toward Somali has certain risks. The main one concerns Moscow's relationship with the Mengistu government. Despite an Ethiopian-Somali agreement this month on monitoring the 1988 accord, Mengistu is likely to be suspicious of any warming of Soviet Somali relations.

It comes, moreover, at a time when Mengistu has just experienced devestating defeats at the hands of the Tigre People's Liberation Front (EPLF), which now controls the province of Tigre, and the Ethiopian People's Revolutionary Democratic Front, which is active in Wollo province.

Meanwhile there are signs of another thaw – between Ethiopia and the US – marked by the staging of the Ethiopian-EPLF talks in Atlanta, Geogia, under the mediation of former US President Jimmy Carter and a succesful meeting in Washington between the Ethiopian delegation attending the talks and Herman Cohen, US assistant secretary for Africa. This suggests President Mengistu is not without diplomatic options.

The eventual consequences of this complex pattern of changing alliances is difficult to predict, but it seems clear that a process of super-power realignment in the Horn of Africa cannot be ruled out.

● *Dr Robert Patman is the Editor of Third World In Soviet Perspective, a new journal to be launched later this month.*

Sri Lanka pledged $785m aid

By William Dawkins in Paris

THE World Bank yesterday pledged $785m of aid for Sri Lanka on condition that the country made further efforts at economic reform.

Yesterday's agreement came at a meeting in Paris of the World Bank's aid group for Sri Lanka, comprising representatives of 12 developed countries, as well as the Asian Development Bank, the European Commission, International Monetary Fund and UN Development Programme.

The meeting noted that civil conflict had contributed to a growth in the fiscal deficit to more than 15 per cent of gross domestic product, a decline in GDP growth to 2.7 per cent and a widening in the current account deficit to 8.7 per cent of GDP.

Delegates welcomed the initial steps the Government had taken to stabilise the economy, and called for the "continued timely and effective implementation" of adjustment programmes agreed with the World Bank and the IMF.

AP adds from Colombo: The largest Tamil rebel group, fighting since 1983 for a separate homeland, says it expects to reach an agreement with the Government by the end of October.

Sudan rebel leader says military junta plans to renew war

SUDANESE rebel leader John Garang, ending a seven-nation African tour, accused the junta in Khartoum on Tuesday of preparing to renew fighting after an informal truce, Reuter reports from Nairobi.

"The other side is moving to attack us. . . We don't have to wait for a bullet in our head," Mr Garang told a news conference in Nairobi before heading for the southern Sudan civil war zone.

Mr Garang, head of the Sudan People's Liberation Army, said he hoped his month-long African tour would lead to negotiations, but the junta had not responded to an SPLA peace plan.

The plan, which the SPLA presented to the junta in August, calls for a broad-based government, a new army, a conference to write a constitution and fresh elections.

He said the tour was a diplomatic triumph because the SPLA peace plan was supported by Kenya's President Daniel arap Moi, whom he saw on Monday, and other East and Central African leaders.

Garang visited Zambia, Zimbabwe, Botswana, Malawi, Mozambique and Tanzania. His journey back to southern Sudan marks the beginning of the dry season, when fighting usually increases.

Sudan's military leader Omar Hassan al-Bashir, who seized power in June, has renewed a unilateral ceasefire which was due to expire on November 4.

The SPLA declared an informal ceasefire in April when the United Nations launched a relief operation to deliver 100,000 tonnes of food to the south.

He said the government had launched a massive rearmament operation and series of troop movements which the SPLA could not ignore.

The SPLA has been fighting since 1983 to end what it regards as domination of the largely non-Moslem south by the Arabised majority in the north.

● Ethiopian rebels said yesterday they had captured three government garrison towns in northern Ethiopia and fighting was continuing.

The clandestine radio of the Tigray People's Liberation Front (TPLF), monitored in Nairobi, named the garrisons as Walda Delanta, Were Hemeno and Kutaber, all in Wollo province north of Ethiopia's capital Addis Ababa.

ICRC studies threat to staff

THE Swiss Government said yesterday that it was taking seriously a threat to kill two Swiss employees of the International Committee of the Red Cross (ICRC) kidnapped in Lebanon 12 days ago, Reuter reports from Geneva.

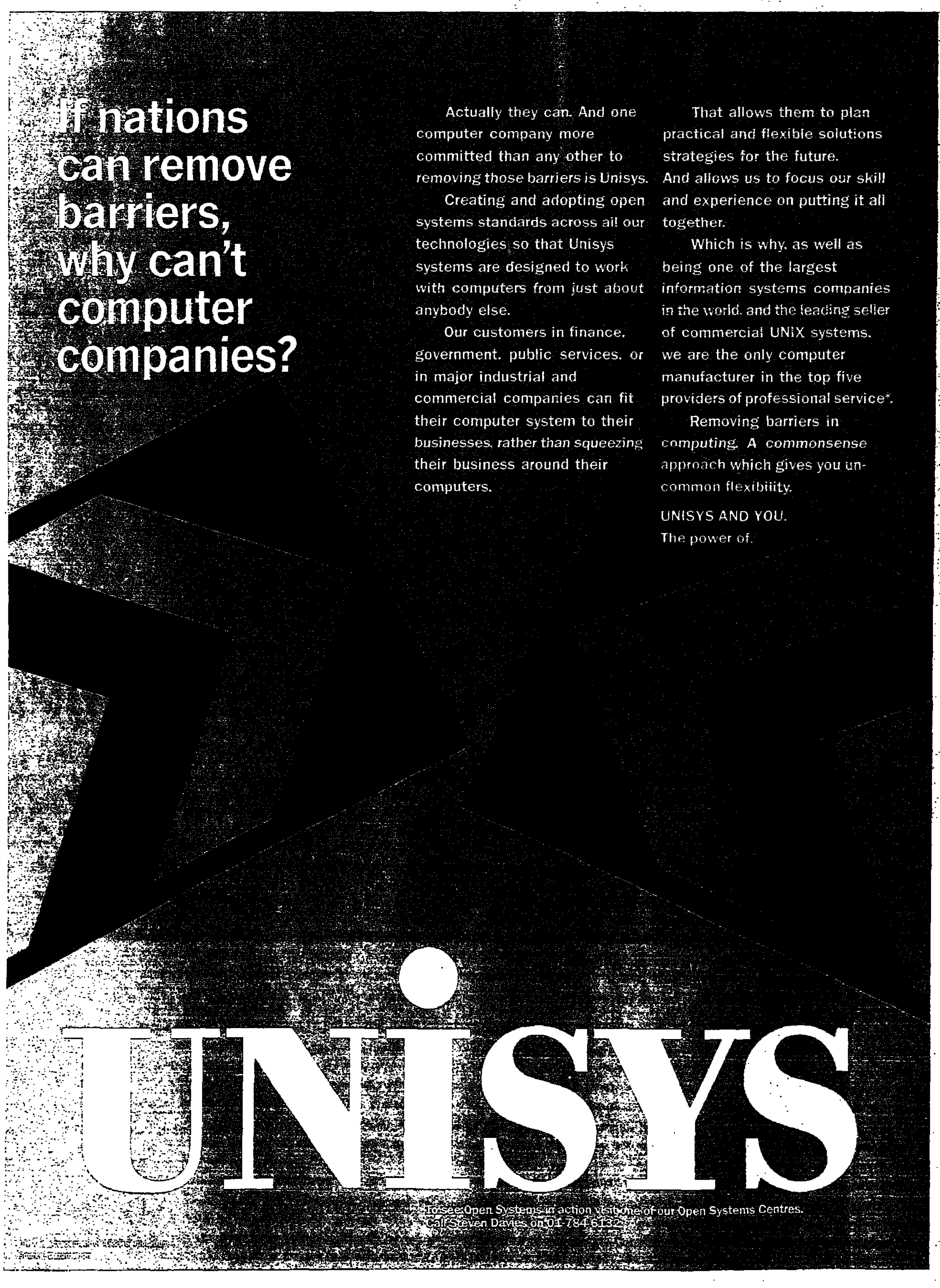
An ICRC spokesman said the threat was made in an anonymous telephone call earlier this week to an international news agency in Cyprus.

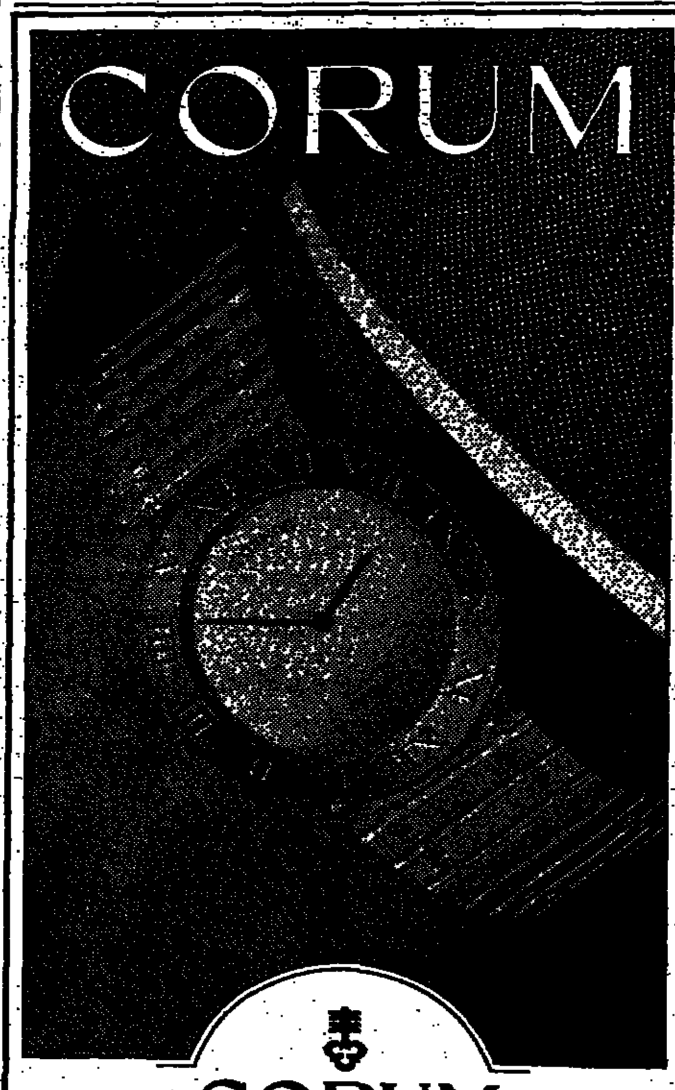
In Berne, Swiss government spokesman Michel Pache said: "For the time being we are studying these threats. The information communicated is being taken seriously."

The caller claimed to speak for the pro-Iranian Islamic Jihad and gave Switzerland three days to release Mohammed Hussein Hariri, a Shite Moslem sentenced to life imprisonment for hijacking an aircraft and killing a passenger.

He said the kidnappers would start killing the hostages, Emmanuel Christen and Elio Erriquez, unless Hariri was freed. Hariri killed a French passenger in the 1987 hijacking of an Air Afrique flight which ended in Geneva.

The ICRC spokesman said the organisation had no plans to pull out of Lebanon.





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18th October, 1989

WORLD TRADE NEWS

Talks to improve EC-Gulf ties in petrochemicals

By Andrew Gowers, Middle East Editor

DIFFERENCES over trade between the six-nation Gulf Co-operation Council and the European Community are likely to be at the centre of a high-level meeting between Gulf petrochemical producers and their European counterparts in Brussels today.

The meeting, understood to have been called at the request of Kuwait's Petrochemical Industries Company, marks a stepping-up of contacts between industrialists from the EC and the GCC as the two groups prepare for negotiations on a comprehensive free trade agreement.

It will bring together senior managers from the Gulf chemical companies, including Mr Ibrahim Salamah, chief executive of Saudi Basic Industries Corporation, and a group of European industry leaders headed by Dr Guenter Metz, deputy chairman of Hoechst.

The Gulf producers, principally Sabic, which runs a string of petrochemical joint ventures with mainly Japanese and American partners, are apparently anxious to allay fears among EC petrochemical manufacturers about the proposed free trade pact.

The GCC, spearheaded by Saudi Arabia, has been trying to obtain a free trade pact with the EC for several years. But talks have been hampered partly by hostility on the part of EC producers, which fear that free trade would expose them to increased competition from low-cost Gulf petrochemicals. The two sides have so far been able to agree only on on a low-level economic co-operation pact, signed in June 1988.

The issue has returned to the fore because of the EC's adoption last month of a mandate for talks on a more substantial trade accord. This provides for phasing-out protective duties levied by the EC on "sensitive" petrochemical products, in a eight-to-16-year transition period.

France, which holds the EC presidency, has said it wants the Council of Ministers to agree the mandate by year-end, in which case full-scale talks could be launched early in 1990.

European proponents of an accord argue it would constitute recognition of the Gulf's political and strategic importance and boost its industrial development efforts.

Industry opponents, backed by the Dutch and West Germans, express concern that a move to free trade would imperil recent costly restructuring undertaken by EC petrochemical producers.

Today's meeting is being described as aimed at "opening the doors" to greater co-operation between the two groups. One company executive said: "The European petrochemical industry is as resolutely opposed to a free trade area as it ever was. But political realities mean there will be one nonetheless".

Free trade panel ruling favours US

By David Owen in Toronto

THE FIRST binational panel to be set up under the terms of the US-Canada free trade *agreement has ruled in favour* of the US in a dispute over Canadian landing and inspection requirements for West Coast fish.

The panel decided that Canadian insistence on salmon and herring catches being landed and inspected in Canada restricts exports and contravenes both the free trade agreement and the General Agreement on Tariffs and Trade. Canada implemented the requirements last April on conservation grounds.

But the panel paved the way for a compromise by suggesting Canada allow a small portion of its catch to be sold directly off boats for export. This would remove fears that the rules were designed specifically to restrict exports, while permitting enough fish to be landed for conservation and stock management.

The report will now be considered by a commission comprising Mr John Crosbie, Canadian International Trade Minister, and Mrs Carla Hills, US Trade Representative. The ruling concerns a government-to-government complaint, so is not binding to either party.

Brussels lobbied on duty-free sales

By Lucy Kellaway in Brussels

THE duty-free lobby yesterday presented a proposal to the European Commission that would allow the sales of duty-free goods between member countries after the borders come down in 1992.

The plan, drawn up by the International Duty-Free Confederation based in Brussels, would involve setting up a "control at the point of sale" system which would limit the quantity of goods sold to any individual. It would mean extending arrangements that already exist at most airports, under which passengers have to present a boarding pass in order to buy duty-free goods.

The association said that a similar system has been operating successfully in Scandinavia for the past 20 years, and claims that its adoption throughout Europe would make it possible to maintain this profitable market after 1992.

Commission officals yesterday expressed some scepticism over the proposals, which they suggested went against the principles of the single market, according to which the notion of duty-free allowances within the community disappears.

By contrast, the Duty Free industry argues that the rights of members to levy taxes within their territoies after 1992 will remain unchanged, and thus so long as a means can be found of policing duty free allowances, the market can be safeguarded.

According to a study prepared by the Netherlands Economic Institute for the Duty *Free Confereration, the loss of* duty-free income between member states would put 7,200 jobs in duty-free shops at risk, and more in the manufacturing and tourist industries.

The report draws some grim conclusions about the consequence of killing off the duty free trade, forecasting a 10 per cent increase in air fares, a 23 per cent increase in ferry prices, and a reduction in demand for holidays in the Community to the benefit of holidays outside.

- Ending tax free shopping in the EC after 1992 threatens more than 3,000 jobs and may raise air and ferry fares by 10 and 23 per cent respectively, the IDFC said on Tuesday.

In a study of the European Community's plan to end tax-free shopping for intra-EC travellers, the IDFC urged that such shopping shoud not be banned, but simply amended.

Sales of duty and tax-free shopping in the EC total \$2.4bn, the IDFC said. Of this, \$1.6bn comes from travelers going from one EC nation to another by plane or ferry.

UK-led group to build Indonesian refinery

By Steven Butler

A CONSORTIUM headed by Foster Wheeler, the UK engineering group, is to build a \$1.6bn oil refinery in Indonesia for Pertamina, the Indonesian state oil company said yesterday.

The refinery, which is aimed at boosting Indonesia's export capacity in refined oil products, is to have a capacity of 125,000 barrels a day (b/d) and will start operations in 1994. It will be built at Balongan on the north-east coast of West Java.

The refinery will allow Indonesia to follow a strategy successfully developed by other members of the Organisation of Petroleum Exporting Countries, which are gradually exporting more of their oil in the form of refined product.

This has tended to provide better margins and more flexibility, although Indonesia has opted not to try to market the products itself but to rely on BP. The Far East is one of the fastest growing markets for petroleum products. ...

The consortium's other members include JGC, the Japanese engineering company, Mitsui, which is organising financing for the project, and British Petroleum, which will market refined products from several Pertamina refineries.

The new refinery itself, known as Exor-1, is to supply the domestic market, although this will free product produced at other refineries for export, which would pay for the capital cost of the project.

Discussions are underway with the British Government for a \$200m Export Credit Guarantee Department loan, which would be dependent on \$200m being spent with UK companies.

The refinery will process 100,000 b/d of Indonesian Duri crude and 25,000 b/d of Minas. Duri has a relatively low export value because of its high metals and residue content.

The refinery will be engineered specifically to handle this type of crude

Valmet to make parts for Saab aircraft

By Robert Taylor in Stockholm

VALMET, the Finnish metal and engineering company, announced yesterday that it had signed a SKr450m (\$69.5m) co-operation agreement with Saab-Scania, the Swedish conglomerate to provide components for Saab's new civilian 50-seater aircraft the 2000.

Under the terms of the deal, Valmet will produce the fin, rudder, stabiliser and elevators for the aircraft as well as design and manufacture the tools and assembly jigs. The new aircraft is expected to be in the air by 1992 but deliveries should begin in 1993.

So far 103 firm orders and paid options have been made for the Saab-2000, which is being developed as a larger and faster version of the Saab-340 new generation regional airliner still in production.

This is not the first time that the two companies have worked closely together. Indeed, their co-operation dates back to 1968. In a statement yesterday Saab-Scania said that the new agreement "opened up new possibilities on co-operative programmes in both the military and commercial aircraft sectors."

US agrees to double import quota for Mexican steel

By Richard Johns in Mexico City

THE US has agreed to double its Mexican steel import quota from 400,000 to 800,000 tonnes for two and a half years from this month until the end of March 1992.

The accord was the most tangible outcome of talks held by Mr Jaime Serra Puche, Mexico's Minister of Commerce and Industry, with Mrs Carla Hills, US Trade Representative, during the Washington visit of President Carlos Salinas de Gotari.

Mr Serra said in Mexico City that Mexican steel exports had been running at an annual 370,000 tonnes and below the old quota level.

Mexican steel exports in the first nine months of this year were worth \$286m, against \$232m for all of 1988. The US is to review in April next year 43 Mexican products out of a list of 63 submitted, for possible inclusion under the Generalised System of Preferences.

Among products included are word processors, glass, digital data processing systems, polyvinyl chloride, and chillies.

In a what seems to have been a highly successful state visit, Mr Salinas' main aim was to win greater access to the US market. Steel apart, the other major Mexican concern was textiles. It was decided that the current bilateral pact would be revised, and restrictions liberalised on both sides.

A Joint Committee on the Promotion of Investment and Trade headed by Mr Serra and Mr Robert Mosbacher, US Secretary of Commerce, was set up under a framework agreement reached in Washington.

"This is not an agreement on free trade," Mr Serra emphasised, pointing out that US technological superiority made impossible a total opening of the border to commerce.

Talks are to continue on the vexed issue of intellectual property rights and in particular pharmaceutical patents which Mexico does not respect at present.

Fiat set to expand car production outside Italy

By John Wyles in Milan

AGREEMENTS with the Soviet Union and Algeria which will considerably expand the Fiat Group's involvement in car production outside Italy may be ready for signature next month.

Although final details have not yet been settled there are some hopes in Turin that the Soviet deal can be clinched for signature during the visit to Italy at the end of November by Mr Mikhail Gorbachev, the Soviet President.

Born of a Soviet initiative during the Italia 2000 exhibition in Moscow a year ago, the shape of the joint venture has begun to change in recent months.

The Italian company was originally to be involved in a new plant under construction at Yelabuga, some 75 miles from Moscow, but it has now been agreed that the venture should be based on the Vaz plant which currently produces 720,000 vehicles a year.

The project under negotiation would involve production of 300,000 vehicles a year based on the Fiat Panda. The Soviet version would be known as the Oka. The total investment to be covered by Fiat and the Soviet Government would stay at about \$1bn-\$1.5bn.

The Algerian agreement dates from 1987 and should be signed during a state visit there from November 12-14 by the Italian President, Mr Francesco Cossiga. It brings Fiat together with the Algerian public company, Enpv, to construct a \$150m plant with a potential output of 40,000 cars a year.

- Fiat confirmed yesterday it was discussing collaborative projects in the aerospace sector with Daimler-Benz, but declined to reveal any details. The fact that discussions were under way was revealed yesterday by Daimler's president, Mr Edzard Reuter.

Mr Reuter also said Daimler was discussing collaboration with Fiat's industrial vehicles subsidiary, Iveco. As far as any kind of link-up in the car sector is concerned, Mr Reuter said that nothing was yet under discussion.

"Personally, I do not exclude that in the long term we shall be talking of more intensive negotiations between Daimler-Benz and Fiat about automobiles," he added.

US Army to carry out trials of new UK gun

By David White, Defence Correspondent

THE US Army and Marines have agreed to carry out trials from next January of a new helicopter-portable artillery gun developed by the British Vickers Shipbuilding and Engineering group (VSEL), the company said yesterday.

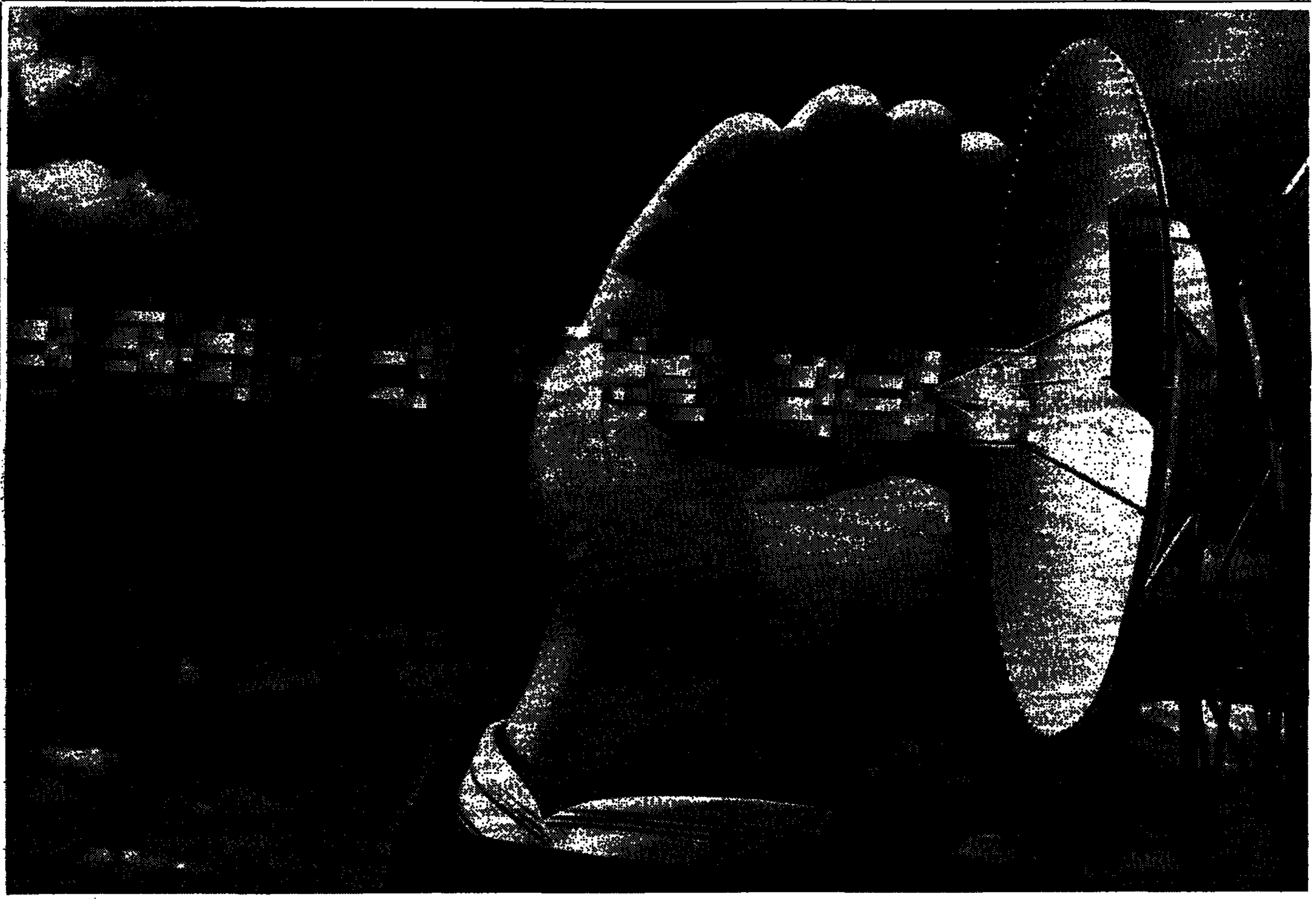
The gun, an ultra-lightweight 155m towed howitzer, is being shown for the first time this week at the Association of the US Army Exhibition in Washington.

Completion of a first prototype designed to meet US specifications follows VSEL's victory earlier this year in a fierce battle against BMY of the US for a £300m British Army contract to supply self-propelled howitzers.

The weapon is designed to fulfil an urgent requirement to provide fire support for rapid deployment forces.

The US trials, which follow successful firing trials in the UK, are due to be held over nine months.

VSEL said its new gun had a potential market of up to 5,000 units worldwide.



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AMERICAN NEWS

MADRID DISCUSSIONS ON IMPROVING RELATIONS MAY EXTEND TO THIRD DAY

Argentine-UK talks start on positive note

By Robert Graham in Madrid

HIGH-LEVEL talks aimed at normalising relations between Argentina and Britain opened in Madrid yesterday in a positive atmosphere.

The talks were due to last two days. However, there were hints they could stretch into tomorrow to maximise the opportunity.

Sir Crispin Tickell, head of the British delegation and ambassador at the United Nations, commented before yesterday's session: "If we have to talk a bit longer, then the talks will last a bit longer." He added: "We've got a lot to talk about and I hope we end up with a positive result."

The Argentine side was led by Mr Lucio Garcia del Solar, a senior roving ambassador for President Carlos Menem.

The two men met for preliminary contacts at the UN in August and met again briefly on Monday evening to prepare for yesterday's talks, which were held in a British diplomat's house on the outskirts of Madrid.

Without raising expectations, both sides hoped to agree on resumption of consular relations. At the same time such an agreement would lead to a re-opening of direct air links, lifting of curbs on British companies operating in Argentina and recognition by Buenos Aires that the state of belligerency in force since the 1982 Falklands conflict was no longer in force.

Britain will seek to avoid discussion of the 150-mile protection zone round the islands. However, if the talks go well, the British could propose some confidence-building measures, such as advance warning of military manoeuvres being conveyed to the Argentines.

The Argentine side has been pressing for Britain to demilitarise the Falklands as a gesture of confidence in the civilian government.

The last formal direct talks between Argentine and British diplomats on normalising relations were held in Berne, Switzerland in July 1984.

These broke down over mutual misunderstandings relating to Argentina's claim to sovereignty over the islands.

Lucio Garcia del Solar, left, shakes hands in Madrid yesterday with Sir Crispin Tickell

Buenos Aires resolute on pay award

ARGENTINA'S Peronist government has announced a pay award intended to last until March 1990, though trade unionist opposition is likely to contest it fiercely, writes Gary Mead in Buenos Aires.

Mr Nestor Rapanelli, Economy Minister, and Mr Jorge Triaca, Labour Minister, said the nearly 2m public sector workers would receive a fixed sum of 12,000 australs (about $18 at official exchange rates) and have an earlier fixed sum bonus of 8,000 australs incorporated into their monthly salaries. The ministers said on Monday that no percentage increases would be given and that the Government would not shift from the announced increase.

According to Mr Rapanelli, the across-the-board increase represents a percentage increase of 32 per cent for the lowest paid and 9 per cent for the highest. He added that private sector wage negotiations stood outside the official guidelines and that public sector companies were still entitled to offer increases above the guidelines if productivity agreements were reached with individual trade unions.

The hard line stance thus signalled by two of President Carlos Menem's most influential Cabinet ministers is part of the Government's general strategy to break the wage-price inflationary cycle.

Date for Chile debt buy-back

By Barbara Durr in Santiago

THE DETAILS of Chile's cash buy-back of as much as $550m of its own foreign debt will be decided on November 22, the Government has announced.

According to the telex sent to its creditor banks, which total nearly 300, bids for sale of discounted Chilean debt paper must be presented by November 17 in New York to Manufacturers Hanover Trust, the leader of Chile's bank steering committee and the agent for the operation. The Chilean central bank will decide on the discounts and amount of debt to buy on November 22.

Under Chile's debt restructuring agreement of 1987, creditor banks agreed to allow the cash repurchase of up to $500m worth of Chilean obligations. In 1988, Chile bought $299m worth of its own debt for just $167m. The average debt discount for that operation was 56 cents to the dollar.

This time, with Chilean debt trading at approximately 64 cents to the dollar on the secondary market, Chilean authorities say they want a minimum discount of 40 per cent. About $330m is available for the new buy-back, which could pay for $550m worth of debt if sold for 60 cents to the dollar.

East Germany set to supply arms for Nicaragua offensive

By Tim Coone in Managua

NICARAGUA appears set to receive new arms supplies from East Germany in preparation for a "final offensive" against the US-backed Contras.

General Heinz Kessler, the East German Defence Minister, is on a visit to Nicaragua "to strengthen the ties of co-operation" between the two countries, according to an official statement.

Gen Humberto Ortega, his Nicaraguan counterpart, told reporters on Monday that Nicaragua "does not rule out" the possibility of new arms purchases from East Germany with a view to a multinational military operation to demobilise the US-backed Contras based in Honduras.

The International Verification and Follow-up Commission (CIAV), the UN body charged with overseeing the Contra demobilisation plan, had a fruitless visit to their base camps in Honduras last week. CIAV officials were told by Col Enrique Bermudez, the Contras' commander, that his 12,000 troops will not voluntarily lay down their weapons by the December 8th deadline agreed at the Tela presidential summit last August.

Gen Ortega said: "We are prepared to assist CIAV and the presidents (of Central America) to remove the Contras if they do not want to demobilise." He said the Nicaraguan army was also preparing a new, and probably, final offensive against the estimated 2,000 Contras operating inside Nicaraguan territory who have begun disrupting the electoral process in rural areas. President Daniel Ortega hinted recently that the unilateral restraint or "ceasefire" on offensive operations might be suspended in December if the Contras refused to demobilise.

The promise of East German arms contrasts sharply with the recent visit of Mr Eduard Shevardnadze, the Soviet Foreign Minister, to Nicaragua. He said the Soviet Union was proposing to co-operate with the US in overseeing a reduction of all the armed forces in Central America.

Soviet arms supplies have been decisive in Nicaragua gaining the upper hand in the eight-year war against the US-equipped Contras.

President Ortega is on a tour of the Middle East where he has secured promises of new economic support from Kuwait.

El Salvador foes seek to agree on ceasefire

By Tim Coone

THE peace process in El Salvador is inching forward this week, with talks taking place between the left-wing Farabundo National Liberation Front (FMLN) and the right-wing government of President Alfredo Cristiani.

Secluded in a Costa Rican monastery, the two delegations are seeking to establish a lasting ceasefire in the 10-year war which has cost an estimated 70,000 lives, and which will lead to the demobilisation of the FMLN and its incorporation into civilian life.

Mr Joaquin Villalobos, one of the FMLN guerrilla leaders, said shorty before the talks began on Monday that the FMLN would propose the creation of a human rights supervision commission comprising members from the Government, the Church, the armed forces and the FMLN.

It is also calling for reforms to the electoral law and the judicial system, a bringing forward of the next elections, a reduction in the size of the armed forces, and trials of military officers who have abused human rights. Mr Villalobos said "an end to hostilities will only be possible if the economic, political and social causes of the war can be overcome".

The El Salvador Government has had an appalling human rights record over the past decade and death squads continue to operate with seeming impunity although at a much lesser scale than in the early 1980s.

Mr Cristiani has frequently said that he wishes to reach a negotiated end to the war but faces resistance from within his own ARENA party.

Few observers see an immediate breakthrough in the talks.

Colombian judge murdered

A MAGISTRATE was murdered in Colombia's cocaine capital of Medellin yesterday in retaliation for the extradition of accused drug traffickers to the US, Reuter reports from Bogotá.

High Court Judge Hector Jimenez Rodriguez, 55, was shot by attackers on motorcycles near his home in the city's Belen district and died from six bullet wounds.

The National Judicial Association called a 72-hour strike by judges, beginning today, to protest against what it called the Government's "lack of protection granted to judges".

The Extraditables, a shadowy group set up by drug traffickers, claiming responsibility for the murder, said the killing was "the first retaliation" for recent extraditions. Since 1980 about 350 judicial employees, including 50 judges, have been killed in drug-related violence and last August traffickers threatened to kill 10 judges for each suspect extradited to the US.

EUROPE

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AMERICAN NEWS

CIA chief seeks freer rein in foreign operations

By Lionel Barber in Washington

MR William Webster, whose future as director of the Central Intelligence Agency has been in doubt, is pressing President Bush and Congress to loosen restrictions on CIA involvement in potentially violent foreign coups.

Mr Webster's call for a more flexible CIA role has been spurred in part by the continuing political fall-out in Washington over the recent abortive coup against General Manuel Noriega of Panama and the reluctance of the administration to support the coup effort.

The CIA director publicised his views in an interview with the New York Times in what some observers believe amounts to a counter-attack against anonymous White House critics who accuse him of being ineffective and too cosy in his relations with Congress.

President Bush, himself a former CIA director, said on Monday that he had "full confidence" in Mr Webster, a Reagan administration appointee who until 1987 had no experience of foreign policy and who failed to attend two key meetings at the White House as the Panama coup unfolded earlier this month.

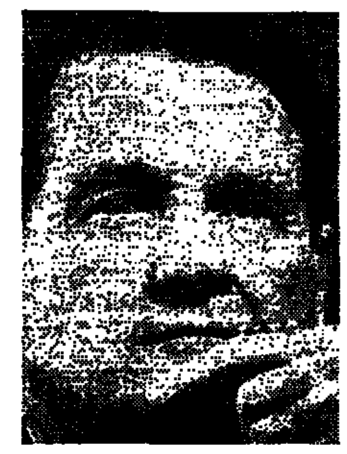
Mr Webster is seeking a more generous interpretation of a 1976 executive order signed by President Ford which prohibits American involvement in assassinations against foreign leaders. The order was adopted at the height of the post-Watergate recriminations against the CIA when Congressional investigations uncovered the agency's role in plots to kill President Fidel Castro of Cuba.

Mr Webster said that the 1976 order – strengthened by President Jimmy Carter and adopted, after some debate, by President Reagan – had been recently interpreted to ban any US aid to a coup that could lead to the death of a country's leader.

He said: "The United States does not engage in selective, individual assassination. But the United States has other overriding concerns about security and protecting democracy. . . and when despots take over, there has to be a means to deal with that short of making us to be hired killers."

This was an argument employed vigorously by Mr Webster's predecessor, Mr William Casey, who said Congressional oversight powers were strangling the CIA's effectiveness. Under Mr Casey an activist CIA redressed some of the balance but, when some of its officers became embroiled in the Iran-Contra arms for hostages scandal, Congress clamped down again.

Enter Mr Webster, the former FBI director who was chosen to fill the top intelligence post when Congress pressured Mr Casey's protégé, Mr Robert Gates, to withdraw his nomination. He took over on the understanding that the CIA would stay "clean" and has strong support in Congress, notably Senator David Boren, chairman of the Senate Intelligence committee. But he has been criticised for poor intelligence work.



Webster: wants flexible role

Administration seeks 'real' cuts in deficit reduction package

By Peter Riddell, US Editor, in Washington

THE BUSH Administration is stepping up pressure on Congress to produce real cuts in programmes, rather than accounting gimmicks, in its deficit reduction package before agreeing to any reversal of the $16.1bn across-the-board cuts which came into effect yesterday.

Mr Richard Darman, the Budget director, wants to bring forward the impact of the across-the-board cuts, ordered under the sequestration procedures of the Gramm-Rudman deficit reduction law because a Budget was not approved by Monday night.

The cuts are being made from each individual programme, project or activity rather the more global category of accounts. This may lead to lay-offs of staff. Mr Darman said this apporach would give agencies "less ability to shift from one area to another, to fudge other things."

Mr Darman has argued that sequestration will not be taken seriously if agencies "merely figure out how to juggle the accounts, trusting that Congress is going to restore all the money a little bit later."

Until now the assumption has been that sequestration will have little impact for the first four to six weeks apart from a small reduction in Medicare payments to doctors and hospitals and in some payments to students. In this period Congress will agree a Budget and the cuts will be restored, as two years ago.

But Mr Darman has not only sought to accelerate the squeeze but has also indicated that the administration might prefer to retain these sequestration cuts rather than agree to a fudged Congressional Budget package.

The $16.1bn cuts are equivalent to about 1.5 per cent of total Federal spending, but nearly two-thirds of the total Budget is either exempt, notably social security payments and salaries for Federal employees, or outside Government control, such as debt interest.

House and Senate Democratic leaders were meeting yesterday to discuss the completion of an early deficit reduction bill. The main problem is to how step down the nearly 2,000 page House version which includes proposals on extending child care and repealing the Medicare catastrophic health insurance plan as well as a temporary cut in capital gains.

Mexican electoral reform plans backed

By Richard Johns in Mexico City

MEXICO'S conservative National Action Party (PAN) has supported proposals for electoral reform put forward by the ruling Institutional Revolutionary Party (PRI), a surprising move given that the proposals are clearly formulated to perpetuate the PRI's indefinite command.

As a result, the recommendations were overwhelmingly approved by 364 votes to 70 in the Chamber of Deputies at the first reading after midnight yesterday to the bewilderment and anger of the left-of-centre Party of the Democratic Revolution (PRD) and three small opposition factions.

Until late last week the PRD had been aligned with the PAN in its insistence that the Federal Electoral Commission should be a independent and impartial body rather than one with an automatic PRI majority because of its dominance of the executive and legislative branches of the Government.

In a heated session PRD delegates and those of the left-wing Popular Socialist Party accused the PAN of "treachery". Mr Cuauhtemoc Cárdenas, leader of the PRD, described the PRI programme as a move towards "retrogressive" and "anti-democratic" counter-reformation.

While paying lip-service to the future autonomy of the CFE, the only change the PRI has proposed is that the country's highest electoral authority should include outside advisers, including judges, designated by "the legislative and executive powers".

On the second crucial issue, the PRI has recommended that the party obtaining 35 per cent of the vote in a general election should be assured of 251 seats in the Chamber of Deputies but no party should be allowed more than 350.

The PRI currently has 263 seats in the legislature and the PAN 101.

US firms up views on German unification

By Peter Riddell, US Editor in Washington

THE BUSH administration wants any moves towards German reunification, or reconciliation, to be linked to European Community integration.

The speech on US/Soviet relations to the Foreign Policy Assocation on Monday evening by Mr James Baker, the Secretary of State, marks an important step in the evolution of US policy towards Germany.

Several foreign policy specialists have recently argued that until now the administration's approach has been too vague.

Noting the long-term support of the US and Nato for the reconciliation of the German people, Mr Baker argued that such a process of self-determination "can only be achieved in peace and freedom. Normalisation must occur on the basis of Western values with the end result being a people integrated into the community of democratic European nations."

This reference was developed at a background briefing by a senior administration official. He noted that since the objective might have become formalistic over time it was important to emphasise the basis on which reconciliation could take place.

The official added that "it is very important as the EC integration process develops, that it helps give the Federal Republic (West Germany) a strong Western anchor in both democratic policy and also economic policy. It's one of the reasons why the US is firmly committed to that integration process, even though it at times poses some dangers in terms of markets."

Moreover, "it also a very good thing for the EC to be involved in coordinating the G-24 process in helping reform in Eastern Europe because it means that, in this case, the Ostpolitik is an EC and G-24 *Ostpolitik reflecting* our fundamental values, and that the coming together of all of Europe, as well as the coming together of Germany, works within that framework."

Cananea peace deal

By Richard Johns

THE signing of a new labour contract between the Mexican Ministry of Labour and the country's mining syndicate in a deal involving 650 redundancies should enable resumption soon in output at Compania de Cananea's copper mine, which was declared bankrupt by the Government on August 20.

It will also open the way for a renewed attempt to privatise the mine by the Government which twice failed to do so last year.

Revision of an antiquated labour contract and a reduction in the grossly overmanned workforce was seen as a precondition for the sale of Cananea, which is also saddled with $650m of short-term debt, most of it owed to the state.

There were 2,980 miners on the payroll and another 880 personnel on the staff.

Under the agreement, those made redundant will receive a down-payment equivalent to 130 days wages and another 35 days for each year of service.

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123	80	Bray Technologies	80	0	5.9	7.4	7.1
110	105	Bryemill Conv. Pref	105	0	11.0	10.5	-
104	100	Brunhill 8¼% New C.C.R.P.	104	0	11.0	10.6	-
305	285	CCL Group Ordinary	288	0	14.7	5.1	3.6
176	148	CCL Group 11% Conv.Pref	170	0	14.7	8.6	-
225	140	Carlo Plc (SD)	210	0	7.6	3.6	12.4
110	107	Carlo 7.5% Pref (SD)	110	0	10.3	9.4	-
7.5	2	Magnet Gp Non-Voting A Cnv*	2.0	-0.25	-	-	-
5	0.875	Magnet Gp Non-Voting B Cnv*	0.875	-0.125	-	-	-
130	119	Isis Group	125	0	8.0	6.4	7.1
145	58	Jackson Group (SD)	107	+7	3.6	3.3	12.4
322	261	Multihouse NV (AmstSD)	295	0	-	-	-
158	98	Robert Jenkins	136	0	10.0	6.5	5.6
467	365	Scrutons	377xd	0	18.7	5.0	10.0
300	270	Torday & Carlisle	299	0	9.3	3.1	10.4
117	100	Torday & Carlisle Conv Pref	110	0	10.7	9.7	-
122	84	Trenton Holdings (USM)	89	-6	2.7	3.1	9.6
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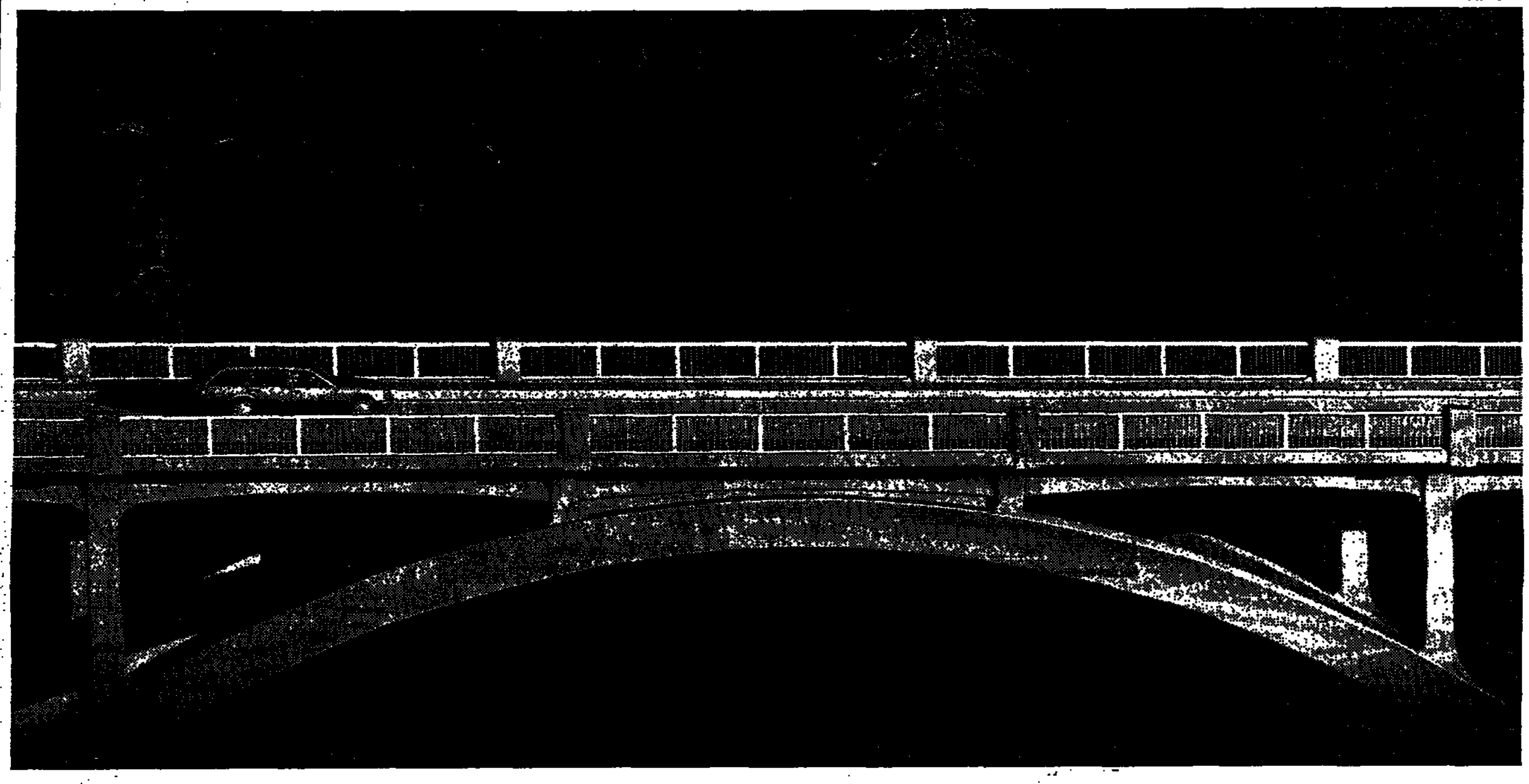

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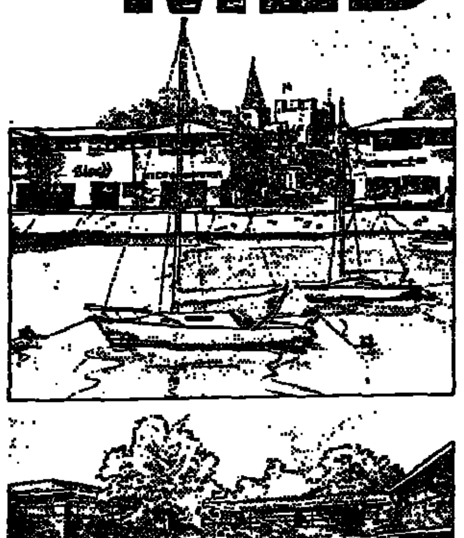

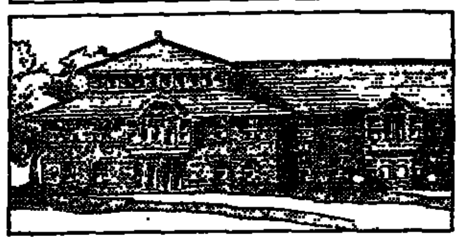

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FT LAW REPORTS

Court may rectify to give legitimate tax advantage

LAKE v LAKE AND OTHERS

Chancery Division: Mr Justice Mervyn Davies. October 6 1989

A DEED of variation may be rectified by the court to achieve a legitimate tax advantage despite a lack of adversarial issue between the parties, if words mistakenly used preclude it from giving effect to their joint intention.

Mr Justice Mervyn Davies so held when granting an application by the plaintiff, Mrs Betty Lake, for rectification of a deed of variation made between her and her children, the first three defendants, William and Simon Lake and Elizabeth Isaac. The remaining two defendants were her grandsons, David and Michael Lake.

HIS LORDSHIP said that Mr Leonard Charles Lake died on November 28 1986, leaving a will.

The estate was given, £50,000 free of tax to his son, Simon. The residue was held by his three children, William, Simon and Elizabeth, as trustees, to Mrs Lake for life and then in quarter shares to Simon, Elizabeth and two grandsons.

There was a power to the trustees to make over capital in the residue to Mrs Lake.

The net value of the estate was £687,075. The death attracted tax on the £50,000 to Simon, but no tax on the residue, since it passed to Mrs Lake as spouse, for life.

Since Mrs Lake was then of advanced years and had property of her own worth about £200,000, it was likely there would too be a claim for inheritance tax on the £800,000 aggregate of the two estates.

Most of that sum would attract tax at 60 per cent.

Accordingly, thought was given to improving the tax position. Counsel advised a deed of variation designed to take advantage of section 142 of the Inheritance Tax Act 1984 and section 49 of the Capital Gains Tax Act 1979.

Counsel provided a draft deed, but it was "finalised" by solicitors. Parties to the deed were Mrs Lake of the one part, and the three trustees of the other.

The deed declared that the disposition of Mr Lake's estate should be varied by way of family arrangement from date of his death, so that the will gave the residue "free of tax."

By clause 3 of the deed the parties made an election under section 142(2) of the 1984 Act and section 49(7) of the 1979 Act.

It was supposed that with the deed executed, about £94,000 would be payable in tax. That sum was to be raised by using the trustees' power to release capital to Mrs Lake to put her in funds for £94,000. She would thus pass it on to the other beneficiaries so they could pay the tax on their benefits.

What was proposed did not come to pass. The Capital Taxes Office assessed the estate at £239,738.

The increase up from £94,000 arose because "free of tax" caused the specific benefits given to be grossed up.

The beneficiaries took their benefits without having to bear any tax, whereas the whole of the £239,738 fell on residue to the wholly unexpected prejudice of Mrs Lake.

The solicitor contacted the Inland Revenue, and it was suggested that a further deed be executed reflecting what the parties had intended. A second deed of variation was executed in the same terms as the first save that for "free of tax" was substituted "not free of tax."

That second deed drew from the Capital Taxes Office a new assessment at £9,547.

Unfortunately the situation *was not maintained* because on April 14 1988 the Capital Taxes Office informed the solicitors *that the second* deed *did not* fall within section 42, in view of the decision in Russell *v IRC [1988] 1 WLR 834.*

A revised assessment of £232,743 was issued.

On the present *originating* summons application was made to the court to rectify the first deed *with a view to sub*mitting it for section 142 purposes and thus achieving a *reduced tax liability.*

It was said the second deed was no bar. If the first was *rectified its effect* would be the same as that of the second, but the rectified deed could be used *for* section 142 purposes whereas the second could not.

To remove any doubts the *originating* summons was amended to include a paragraph seeking an order that on *the true construction* of the second deed "not free of tax" was to be interpreted as a *direction* that the legacies were to bear their own tax.

The question was whether the first deed might be rectified.

In *re Slocock's Will Trusts [1979] 1 All ER 358,363* Mr Justice Graham said that if a mistake was made in a document legitimately designed to avoid tax, there was no reason why it should not be corrected; and *there was nothing in Whiteside [1950] Ch 65*, nor any other case, which compelled the court to refuse rectification where the common *intention* was to obtain a legitimate fiscal advantage.

The solicitors' affidavit evidence was that "free of tax" was inserted in the deed of variation by clerical error.

On the evidence the court was satisfied that when the first deed was executed there was never any intention that the residue should go to Simon, Elizabeth and the grandchildren free of tax.

In *Whiteside* a consideration for refusing rectification was that there was no "issue" *before* the court.

In a sense there was no issue in the present case, because all *counsel desired* an order.

However, *Whiteside* was not an obstacle to rectification.

In *Sherdley v Sherdley [1906] 1 WLR 732,739* Sir John Donaldson MR said that when rectification was declined in *Whiteside* because of "absence of issue" between the parties, that did not refer to absence of adversarial issue, but to the facts that (a) there was no case for rectification because the original deed recorded the parties' intention; and (b) the parties had already done what the court was being asked to order.

In such a situation, he said, an order by the court would either be a sham or an approval of a consensual agreement, for which there was no need or jurisdiction.

Sherdley went on appeal without affecting the force of those remarks.

In the present case all concerned at all times intended tax to fall on the released assets. By inadvertence "free of tax" was included and furthermore, by a blunder, the released assets had no tax burden placed on them.

Thus there were two mistakes. The result was that the deed did not express the proved *intention of* the parties. The mistaken insertion of "free of tax" might plainly be rectified.

So might the mistaken omission of "such gifts to bear their own tax," because the words as used in the deed did not effect what was intended by the parties.

An order for rectification should be made. "Not free of tax" was construed as meaning the legacies were to bear their own tax.

For Mrs Lake: Arthur Jefferis (Brewers)
For William, Simon, Elizabeth and David: Mark Struder (Brewers)
For Michael, a minor: Piers Feltham (McNeil & Co)

Rachel Davies

Barrister

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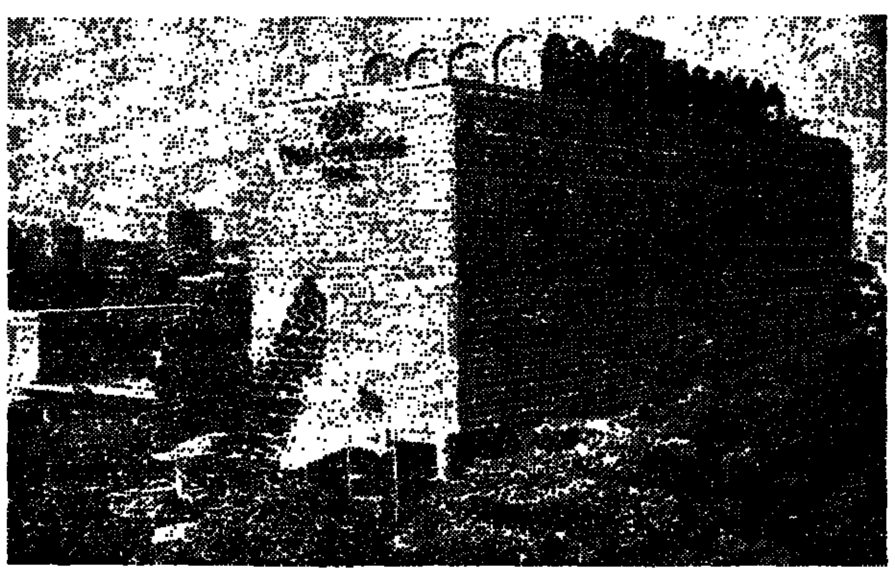

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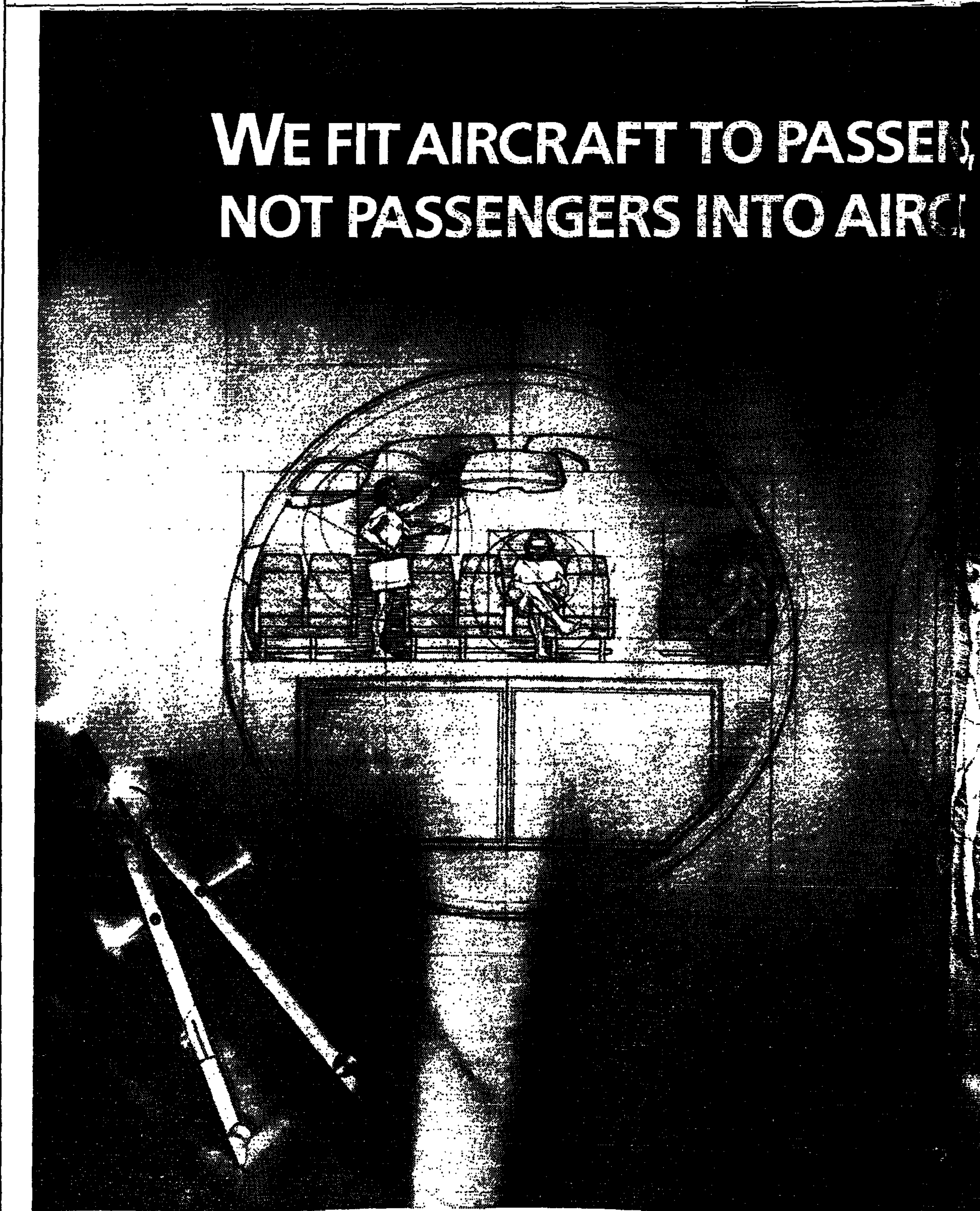

MANAGEMENT

B. Elliott

Preaching a gospel of creative change

John Thornhill examines the UK machine tool company's strategy of encouraging managers and employees to help formulate a programme for its long term recovery

In an earlier era, Michael Frye would perhaps have made a very fine country vicar. Enormous, genial, and mildly eccentric, it is easy to imagine him conversing enthusiastically with those in his care, delving into arcane philosophical issues, and collecting rare ornithological books.

Yet in the late 1980s he finds himself chairman of a London-based engineering company, B. Elliott, guiding the business back from some troubled trading times and hoping to steer it towards a more secure future.

The comparison with a vicar is perhaps not inappropriate, for the message which Frye persistently preaches is one of listening to the workforce and administering to its needs.

"We want to improve the communications and attitude in the company and realise the workforce's potential. If you work for our foundry in Leicester and are one of those who speak only Gujurati and no-one bothered to tell you that the game was soccer and you had to kick a ball and score goals, then you would have no idea of *what the game was all about.* We try to provide the opportunity for our workers to contribute better. After all, they are at the job eight hours a day while the manager only looks at a problem for five minutes."

Michael Frye stressed the need for communicating immediately he became chairman of B. Elliott in 1987, continuing the family link with the company.

B. Elliott had been founded by Hugo Frye, the current chairman's grandfather, in 1900 (refounded in 1919), and named after his wife's maiden name - Beatrice Elliott. Hugo Frye had left Germany with money from his father and instructions to travel the world. Instead, he came to England, and invested the money in an engineering business.

The company built up an illustrious name in the machine tool industry in the 1960s and 1970s under the direction of Jack Frye, the founder's son and Michael's father. After Jack Frye's sudden death in 1975, the expansion continued under the chairmanship of Mark Russell. But in the early 1980s, in common with whole swathes of the British machine tool industry, the company was ravaged by the recession and out-competed by Far Eastern manufacturers. For a while, B. Elliott seemed to teeter on the brink of bankruptcy and it is only now that the company - one of only three remaining British quoted machine tool manufacturers - is beginning to recover fully *from the trauma.*

The struggle to survive had not allowed much thought to be devoted to longer term strategy and when Michael Frye became chairman the company was in danger of drifting aimlessly, making little profit from its core machine tool operations and, somewhat embarrassingly, deriving the bulk of its profits from a steel mill in South Africa. "Elliott consisted of a batch of businesses which did not have a real reason for being there and had been left over from previous *thinking.* What was left was a residue not a selected set of businesses," he said.

First of all, Michael Frye set about cleaning up the company. He set down a profit improvement plan designed to tackle the group's underperforming businesses and help improve those of marginal performance. New managers were recruited. About £4m of overhead costs were cut by relocating premises and rationalising production. And £5m was raised by means of a rights issue to restore B. Elliott's financial strength and enable it to make acquisitions.

B. ELLIOTT'S TEN-YEAR RECORD		
Year end Mar 31	Turnover(£m)	Pre-tax profits/ losses(£m)
1980	110.9	11.39
1981	111.97	6.56
1982	105.21	(1.44)
1983	82.85	(4.84)
1984	73.56	(2.78)
1985	71.06	0.67
1986	68.6	1.11
1987	60.2	0.74
1988	72.6	2.26
1989	81.52	4.44

Simultaneously, Michael Frye developed a way to bring about a qualitative transformation of B. Elliott's businesses, both in the way the company was run and in the quality of what it produced. But he believed this could be done only in association with all the company's workforce. "It was very much the attitude - this is the way we want to run the business; what do you think about it."

He called a meeting of the company's 50 senior managers and asked for their advice. Michael Frye suggested some ideas and asked for reactions. At the end of this process an overall strategy had been hammered out.

It was decided to concentrate on four main businesses: specialised engineering, electronic engineering, machine tools, and South Africa. All these divisions were given an immediate target of producing £1m in profit. "We did not want to be a conglomerate, we wanted to be a focused engineering business. People then began to understand what we were all about."

With a firm direction outlined and a strategy and course of action determined, Michael Frye set about selling the mission to the workers. He did so by using an amalgam of techniques he had picked up throughout his career and fashioning them into, what he called, a workhome programme. He stressed that little of this programme was original and that most of it was culled from his time working on the factory floor of a West German factory; from his studies of management and mechanical engineering at the Massachusetts Institute of Technology; from a wide reading of management theory; and from his practical experience of running Rotaflex, a lighting company.

This programme consisted of a series of discussions and self-analyses which Michael Frye arranged within B. Elliott's constituent businesses. "The head office management simply acted as a catalyst to make things happen."

Each company was asked to appraise its performance in six categories: profit and performance; financial discipline and rigour; total quality and full customer service; knowledge of market size, B. Elliott's share, and competitor activity; innovation and product development; and total employee involvement and full communications.

They awarded themselves a number of points for how well they thought they currently performed in each category and then had to suggest how well they thought they could perform. Typically, a company would give itself a score of between three to seven on current performance and see eight to ten as achievable.

Michael Frye stressed it did not matter at all whether his perceptions of a company's performance matched its own - it was the relative weighting that mattered. "They still have to do better," he chuckled.

Once the company had identified how well it could do it then had to set down a list of critical factors and key influences which prevented it or would help it achieve what it said it was capable of.

Such factors and influences, for example, might include exchange rates, competitor activity, quality of service, the possible effects of the 1992 single market programme, or restructuring of its businesses. The advantage of doing this, in Michael Frye's eyes, was that

Michael Frye: wants to improve the communications and attitude in the company "and realise the workforce's potential"

it highlighted reasons for any possible underperformance and gave the company the chance to act in anticipation. Each company had to concentrate on what affected its long term strategy and short term performance and could then work out the best way to tackle its difficulties, imagined or real.

The main thrust of Michael Frye's approach was to produce more independent and creative business units within *B. Elliott's overall structure.* He tried to give people enough leeway so that they could make creative changes while still maintaining effective financial controls - the individual companies' "green books," which contained 100 pages of financial information submitted to the head office, have now been whittled down to one page of essential information and ratios.

He admitted the balance could sometimes be very hard to achieve and that there was an element of risk attached to the approach, but he said: "If you reduce the risk by 10 per cent you reduce the reward by 90 per cent."

Michael Frye was also conscious that many of these good intentions could remain just that unless great emphasis was placed on implementing the ideals; it was no good dreaming up great abstract notions if they remained only in the realm of speculation. He therefore continually urged his colleagues to stop intellectualising and get on with the business - to walk the talk, as *he expressed it.*

He said he was constantly spurred on by his father's admonishing question - "what would you like on your tombstone?"

Michael Frye conceded that it was hard to judge how successful his workhome programme has been as it was still in its infancy, but he was adamant that it had already resulted in change.

"What has definitely happened is that there are improvements and the understanding of what we are trying to do is much higher. There is now more cohesiveness and less politics," he says.

On a more tangible plane, B. Elliott's scrap rate at its foundry has been reduced from about 20 per cent to less than 10 per cent; and substantial cost savings have resulted from worker's suggestion as to how the the distribution network could be re-organised.

Furthermore, a Gujarati-speaking MBA student has now been employed in Leicester to ensure the workers know how to play soccer.

In addition to the changes taking place within the company, Michael Frye is optimistic about the future of British manufacturing industry, citing three three main reasons:

- The industry's obsession with quality - which he describes as a healthy epidemic - is making UK manufacturing companies globally competitive. The UK, he argues, was very late to pick up on the tremendous sea-change that took place in the world manufacturing in the late 1960's and early 1970's, when engineers developed technologies to manufacture products to extremely high technical specifications with *near-perfect quality.*

Both the UK and the US were slow to introduce new manufacturing methods and attitudes with the result that Japan forged ahead, winning vast tracts of existing markets and creating entirely new ones. In the last five years, he says, this has changed as UK and US companies have begun to catch up.

- The industry trend towards global purchasing and the implications of 1992 offer UK companies great opportunities. The shift in component manufacturing towards smaller specialist contractors will help UK companies establish themselves as the cost of skilled labour in the UK is *about half* that in West Germany. "Britain is becoming one of the low-cost manufacturers in Europe," he says.
- The influx of Japanese manufacturing companies into Britain will force resident suppliers to compete at a higher level. Michael Frye believes the Japanese will source components in the UK provided the quality is good enough. "But we will have to operate to the same standard as if we were in Japan."

Provided these trends have the effect he believes they may, Michael Frye says UK manufacturing will be able to recover lost ground.

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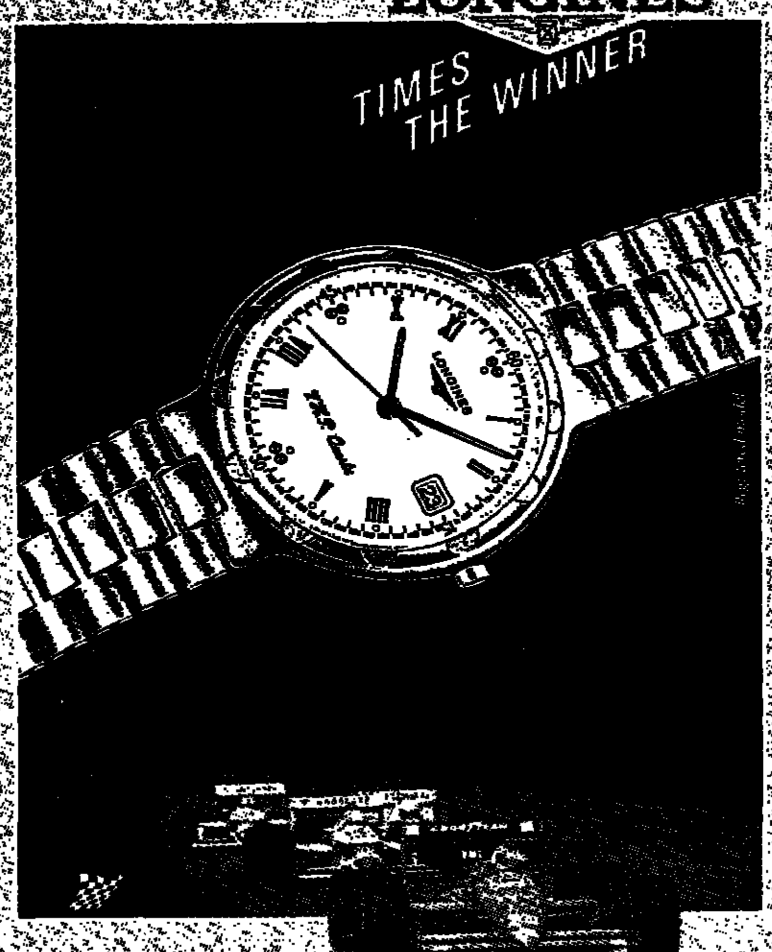

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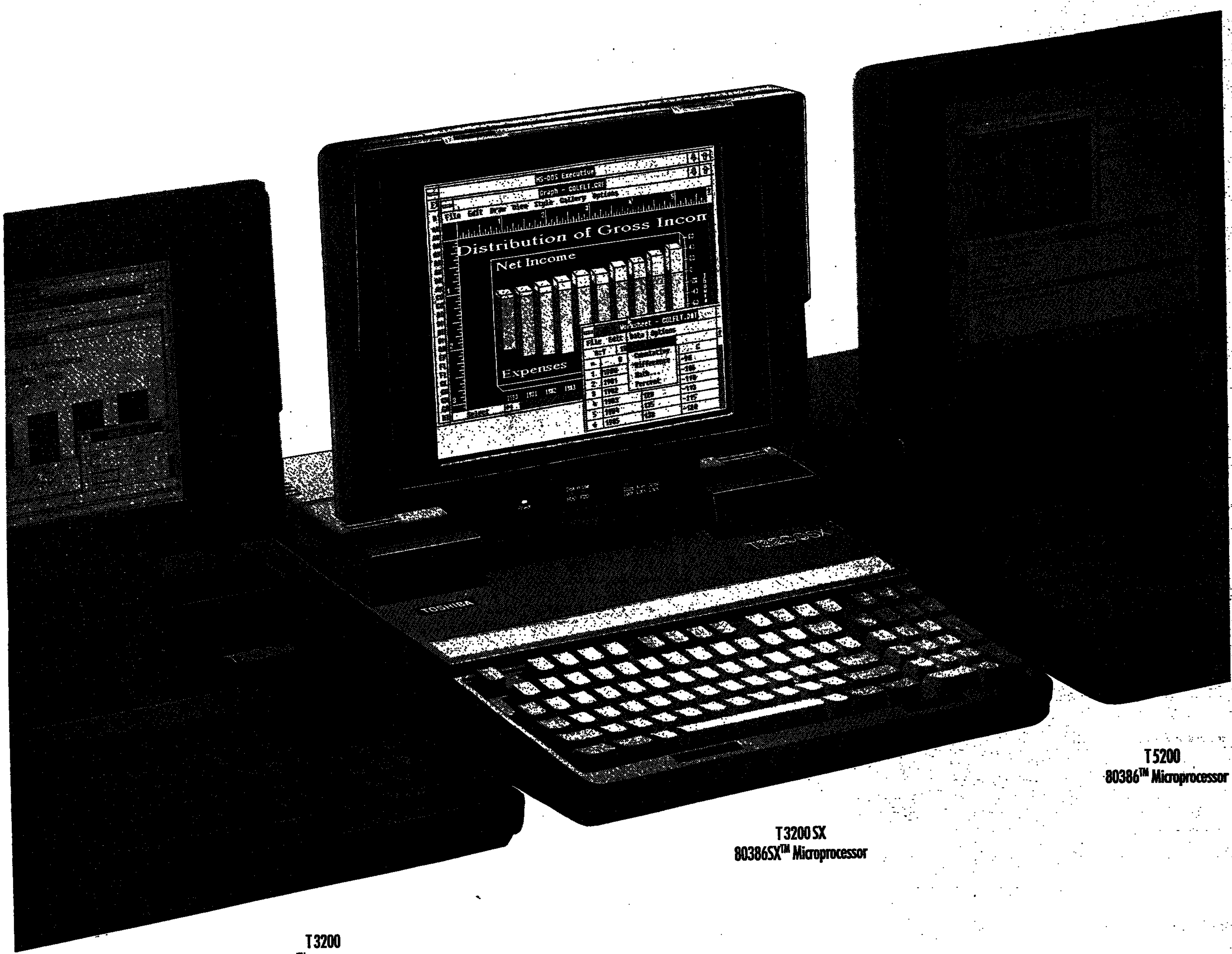

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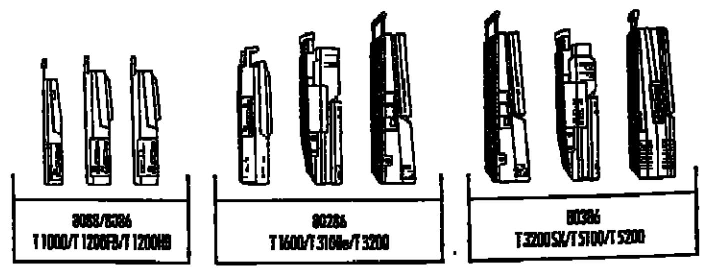

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Convictions against the Guildford Four, jailed in 1975, are likely to be dropped

IRA bomb case four set to be freed by Appeal Court

By Robert Rice, Legal Correspondent

THREE IRISHMEN and a British women imprisoned for murder after bomb attacks in Guildford and Woolwich in 1974 were on the brink of freedom yesterday after a surprise announcement by the Director of Public Prosecutions.

The Guildford Four, whose case will be heard tomorrow at a specially expedited sitting of the Court of Appeal, could be released later this week.

In his statement, Mr Allan Green, the DPP, said circumstances had come his notice which meant "it would be wrong for the Crown to seek to sustain the convictions".

The move signals the end of a 15-year campaign by many establishment figures to secure the four's release - including Cardinal Basil Hume, leader of the Roman Catholic church in England and Wales, and two former Home Secretaries, Lord Jenkins of Hillhead and Mr Merlyn Rees.

It will ease tension between British and Irish Governments about the treatment of suspect IRA terrorists.

While the timing is almost certainly coincidental, it may soothe the atmosphere at today's meeting of British and Irish ministers in Belfast.

The case of the Guildford Four has been raised at several meetings of the Anglo-Irish conference. Today's meeting is expected to focus on the roll of the Ulster Defence Regiment (UDR).

Mr Paul Hill, Mr Gerard Conlon, Mr Patrick Armstrong and Ms Carol Richardson were convicted after bombings at pubs in Guildford and Woolwich, frquented by British Army personnel, in which seven people died and a total of more than 80 were injured.

During their trial they withdrew confessions and claimed that they had been mistreated by the police.

The four have always maintained their innocence. Their trial at the Old Bailey took place at the end of the most savage and sustained IRA bombing campaign ever carried out on mainland Britain. In August that year six Birmingham men with Irish backgrounds had been convicted at Lancaster Crown Court of the biggest mass murder in British history in which 21 people died in two pub bombings.

The confessions of the four members of the IRA active service unit arrested in the 1975 Balcombe Street siege were crucial to any re-examination of the case of the Guidlford Four - they said they had done the Guildford and Woolwich bombings but were never charged.

OCTOBER 1975: Horse and Groom pub Guildford

In January this year, Mr Douglas Hurd, the Home Secretary, referred the case to the court of appeal. The Home Office said that in subsequent investigations by the Avon and Somerset police information had come to light which led to yesterday's announcement. The reasons for the DPP's decision will be revealed tomorrow.

The Irish Government welcomed the DPP's statement positively. In a statement it expressed, "great relief and satisfaction at this outcome."

A Government source said: "It's the one bit of good news in Anglo-Irish relations for some time." Ireland is now likely to press for an urgent review of the sentences of the Birmingham Six.

Mr Gerry Collins, the Irish Minister for Foreign Affairs, recently met Mr Douglas Hurd about the case, following revelations about the conduct of the Serious Crime Squad of the West Midlands police.

However, the conclusion of the case of the Guildford Four will not end unease in Northern Ireland's nationalist community about the British judicial system.

Lord Havers, former Lord Chancellor and Attorney General, was prosecuting counsel in the trial and appeal. Sir Peter Imbert, Metropolitan Police Commissioner, was one of the bomb squad investigators who took the confessions.

Among some Unionists there was scepticism yesterday. The Rev Ian Paisley, leader of the Democratic Unionist Party, was waiting more details but said: "If it turns out that this is some kind of sop to the Dublin Government - and is intended to take the steam out of attacks on the UDR - then it would be a very serious matter indeed."

The hearing before the Court of Appeal was due to begin on January 15 next year. No reason has been advanced for the DPP's sudden decision to ask the Court of Appeal for an expedited hearing to make an application on behalf of the Crown that it would be wrong for it to seek to sustain the convictions.

But even without this dramatic intervention, the hearing next January would have been fraught with difficulty. In these situations, the Court of Appeal has basically three options. If satisfied that the new evidence is sufficient to make the original convictions unsafe and unsatisfactory it can quash the convictions. The four would have been instantly free, but there would be have been no pardon and no automatic right to compensation.

In the light of the DPP's intended submission on Thursday, it would seem the the Court now has little option but to declare the original convictions unsafe and unsatisfactory. The Guildford four will go free but without a pardon and no automatic right to compensation.

It will remain open for the Home Office to make them an offer of compensation or for them to sue for compensation for wrongful conviction and imprisonment.

Vauxhall offers cuts in working hours

By Michael Smith, Labour Staff

MANUAL EMPLOYEES at Vauxhall, the General Motors subsidiary, have been offered holiday entitlement of up to eight weeks a year – among the highest in Britain for manufacturing workers – as part of an innovative pay and conditions deal.

Vauxhall unveiled its working hours offer as unions prepared to start balloting employees of four other companies today on whether they will spearhead a national campaign for a shorter working week in manufacturing by staging indefinite strikes.

Although the Vauxhall initiative would increase the working week by one hour to 40 hours, it has suggested that two hours a week be "banked" to create an additional 11 days holiday a year. The effect would be to reduce the working week to 38 hours, it said.

The company's "final offer" is likely to fuel concern about spiralling wage inflation. Although Vauxhall said much of the higher holiday costs would be recouped through increased efficiency, its proposed deal would also raise pay in the first year of a two year pay deal by about 9.1 per cent, considerably above the last reported inflation rate of 7.6 per cent

The company also announced plans to recruit 700 additional production and warehouse employees to add to the 9,000 manual workers it already employs. These would be needed because the company planned two extra weeks of production a year – by shortening plant-wide shutdowns – and to produce 28,000 more vehicles annually.

Most manufacturing employees in Britain are entitled to about five weeks holiday a year and Vauxhall workers presently get between 25 and 28 days off a year. If the deal went through, they would be entitled to another one to two days, plus the extra 11 for working 40 hours a week.

The offer met with a mixed response from unions. Mr Jack Whyman, executive member of the AEU engineering union, described it as a breakthrough.

However, Mr Steve Broomhead, chairman of the union negotiators and an official of the TGWU general workers' union, said initial reaction among shopfloor workers was unfavourable.

They objected to Vauxhall's proposals that it could require workers to work eight hours overtime a fortnight, and that the increased holidays would be allocated by computer rather than to fit in with employee requirements.

Commercial vehicle sales 'will weaken'

By Kevin Done, Motor Industry Correspondent

SALES of new commercial vehicles in the UK in September jumped by 7.59 per cent to 34,437 from 32,009 a year ago, but the rate of growth is slowing and the industry expects the market to weaken further in the final quarter.

Figures from the Society of Motor Manufacturers and Traders show commercial vehicle sales in the first nine months of the year were 9.48 per cent up on a year earlier at 300,083.

Mr Simon Foster, SMMT director, said that the fall in the rate of growth at the lighter end of the commercial vehicles market was a reflection of a slackening in retail sales activity. He said that a slowdown in sales at the heavy end of the market was also expected in the final quarter.

Imported vehicles accounted for 39.7 per cent of the UK market in the first nine months compared with 40.39 per cent a year ago. In September alone the share of imports fell sharply to 34.99 per cent compared with 42.55 per cent a year ago.

New registrations of small vans (micro vans, car derived-vans and pickups) fell in September to 10,763 from 11,170 a year ago, reflecting the parallel fall in the new car market in September.

Sales of medium vans and trucks were still higher than a year ago, however, despite tightening UK economic conditions.

In the truck market the gap has narrowed between Iveco Ford and DAF (Leyland DAF), the market leaders, with DAF capturing 21.54 per cent of the market in the first nine months compared with the 22.79 per cent held by Iveco Ford.

Both have lost ground to some of the leading importers, however, such as Mercedes-Benz, Volvo and Scania, as well as to the small specialist UK heavy truck makers ERF and Foden.

The main loser in the UK truck market this year is Renault Truck Industries, which is facing rising losses and which has suffered a 6 per cent fall in sales volume in the first nine months in contrast to an 8.8 per cent growth in the market.

Scania of Sweden has made important inroads into the heavy truck sector with a 25.6 per cent growth in sales volume increasing its share of the segment to 9.5 per cent from 8.4 per cent a year ago.

Iveco Ford, the overall truck market leader has lost ground in the light truck segment, but has increased its sales of heavy trucks (over 15 tonnes) by 12.8 per cent.

DAF (Leyland DAF), the leader of the UK heavy truck market, has been the main loser suffering a fall in market share to 21.8 per cent from 24.4 per cent a year ago.

MARKETS IN TURMOIL

Big securities firms warn volatility may lead to more cuts

By Richard Waters

SENIOR executives in several big securities firms suggested yesterday that this week's violent stock market movements could lead to a new wave of cuts in the industry, with more redundancies to follow those of the past two years.

According to the chief executive of one international securities firm: "Clearly, the volatility that has suddenly emerged in all markets is extremely worrying for us. These kinds of gyrations cause deep concern."

The effect would be to drive all but professional investors away from the equities markets, he said. The result: lower trading volumes, and declining commission income.

However, firms were reluctant yesterday to say that the market movements of this week will inevitably lead to further redundancies. "It really depends on whether we have seen the beginning of the next bear market," said one. "If so, we will need to cut costs, and cutting people is the easiest way of doing that."

This follows a year in which confidence – and larger trading volumes – had begun to return to the securities industry after a long quiet spell after the 1987 crash.

That crash brought with it falling commission levels and big job losses. Commissions paid by institutions declined by over a quarter on Wall Street last year, according to researchers Greenwich Associates, while more than 10,000 jobs are thought to have been lost in London.

An analysis by US rating agency Moody's, completed shortly before Friday's sharp drop in New York, warned that there was already severe overcapacity in the global securities business and that a shake-out was coming.

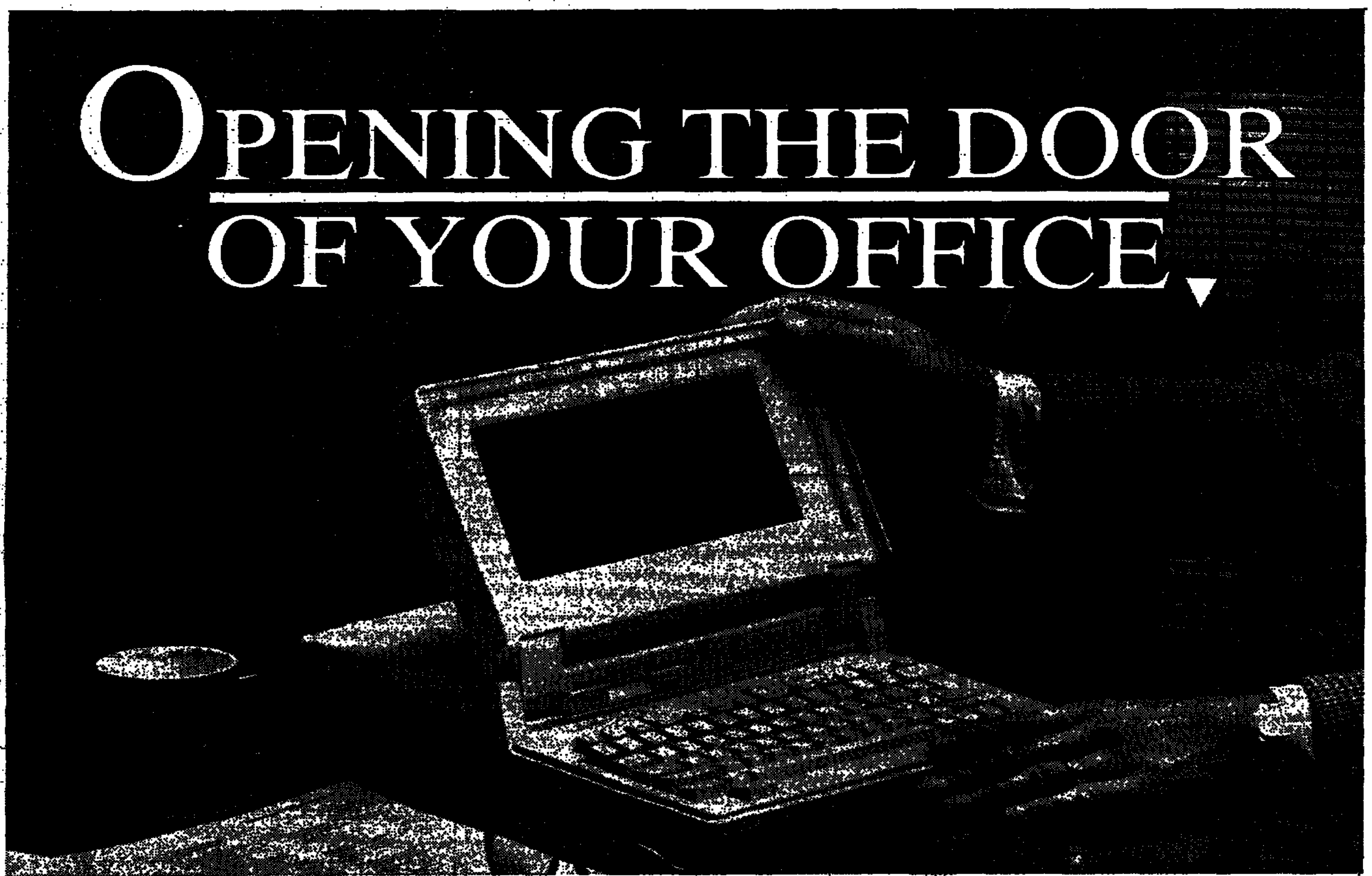
Market participants also warned that the violent swings in the market could force market makers to take fewer risks in the months ahead to avoid damaging losses.

"You have to become more and more risk averse," said one. "After large movements like that, I can't believe anyone will be prepared to run large open or uncovered positions for very long. If people are not prepared to go out on a limb, the volatility becomes worse, not better."

Market makers had built up large positions in stocks before the 1987 crash, bringing big losses. The exposure of most firms is believed to have been much smaller this time round, though this has done little to calm nerves frayed by the week's volatility.

This also brought calls from some quarters for a fundamental re-examination of the UK's trading system, created only three years ago and already the subject over the past year of significant adjustments.

As a member of one US firm in London put it: "There is the whole question of whether we have it right here. What we may need is circuit breakers. Otherwise, you have to live with volatility, and the chance that the rug will be pulled out from under your feet."



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Luxembourg, October 18, 1989

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UK NEWS

Climate summit considered

By Philip Stephens, Political Editor

THE Government is considering hosting a major conference on global climate change to add political impetus to international efforts to combat the gradual warming of the earth's atmosphere or the "Greenhouse effect."

Mrs Margaret Thatcher, the Prime Minister, may announce plans for the conference during a speech on environmental issues to the United Nations in New York on November 8.

She hopes to put Britain in the forefront of talks to establish an international convention to restrict the gas emissions responsible for the gradual warming of the earth's atmosphere.

The suggestion of a conference, however, has irritated some of Britain's Western partners. They believe that it might distract attention from existing efforts to establish guidelines to reduce the emissions – notably those of carbon dioxide.

Canada, which has been among the most forceful exponents of such a convention, is said to be among a number of countries who are sceptical about the value of a London conference.

It wants the focus of international efforts to remain on the work already being done by the Inter-Government Panel on Climate Change established by the World Metereological Organisation and on preparations for a UN conference on the environment and development in 1992.

The IPCC is due to report on its deliberations next summer and that will be followed by meeting in Geneva in November to consider its recommendations. Some officials closely involved in that work believe it would be difficult to hold a separate meeting in London before then.

Date set for water sale applicants

By Clare Pearson

APPLICANTS for shares in the privatised water and sewerage industry must register by Wednesday, November 15 to qualify for the special incentives, J. Henry Schroder Wagg, the merchant bank advising on the sale, said yesterday.

It said the pathfinder prospectus would be published on November 3, giving information on each of the companies but omitting crucial financial data, such as the common share price. This is expected to be announced during the week of November 19. Dealings are expected to start in December.

Despite the controversy surrounding the share sale, and the uncertain stock market, the flotation of the 10 water and sewerage companies of England and Wales looks set to be the third most popular privatisation issue in terms of registrations after the sales of British Gas in 1986 and of BP, the petroleum company, the following year.

More than 3m people have already registered for prospectuses, and Schroder's estimates that about a further 1m are likely to do so.

Those buying shares in their local businesses qualify for a customer bonus, preferential allocations and a choice between a discount of about 8 per cent, up to a maximum of about £300, on the share price, and loyalty bonus shares on a one-for-10 basis after three years.

Borrowing figure above expectations

By Patrick Harverson, Economics Staff

A GRADUAL weakening in the Government's fiscal position was apparent yesterday after official figures showed that the public sector borrowing requirement last month was £234m.

The figures unsettled the City of London which had been expecting a surplus in September of around £100m.

The public borrowing figures suggested that the slowdown in domestic demand and general economic activity, under pressure from high interest rates, is cutting Government revenues by more than expected, while public spending remains buoyant.

Yesterday's figures increased the likelihood that the Government will fall short of its target of a £14bn PSBR surplus this financial year.

With six months of the financial year gone, the cumulative surplus stands at £500m, which is well down on the £3.6bn surplus at the same stage last year.

If the effects of privatisation proceeds were excluded, the PSBR would have been over £1.4bn last month, and £2.5bn for the first half of the year. This is almost double the £1.3bn in the first six months last year.

In the light of yesterday's figures, City analysts predicted that the PSBR surplus would be between £11bn and £12bn this year. Mr Nigel Lawson, the Chancellor of the Exchequer, is expected to announce a revised PSBR forecast in the Autumn Statement next month.

The Treasury said, however, that Government finances would receive a sizeable boost when receipts from corporate taxation arrive in October, and again in January.

These receipts will date from a period, stretching back over a year, when British company profits were exceptionally high on the back of the fast-growing economy.

In the six months to the end of September, total tax receipts were 3 per cent up on the same period in 1988 at £63.1bn. This compares with the Treasury forecast of a 5 per cent rise in total taxes this year.

Income tax revenues continued to rise at a steady rate. Last month cumulative inland revenue receipts were £31.9bn for the six months to September, up 10¼ per cent on the same period last year, reflecting strong growth in wages and employment.

Supply expenditure, which gives the best guide to Government spending, was 6¾ per cent higher in the first 6 months of the financial year than at the same time in 1988-89.

The Government's accounts were in deficit last month in spite of £1.2bn worth of receipts from the second instalment on British Steel shares.

In Brief

Charter 'not leading to minimum EC wage'

The European social charter of workers' rights will not lead either to a European minimum wage or to all workers having the right to join a union, Ms Vasso Papandreou, the EC Social Affairs Commissioner, said during a UK visit, writes John Gapper.

Ms Papandreou offered a modest interpretation of the charter's effects to a House of Commons committee. She said the charter's practical implications depended on the Commission's forthcoming action programme of legislative proposals to implement it, but emphasised the degree of national diversity the charter would allow.

Poll tax 'chaos'

There will be "administrative chaos and confusion" in England and Wales when the poll tax is introduced in April because of the last-minute introduction of concessions by the Government, local authority leaders told Mr Chris Patten, Environment Secretary.

Caution over transport

Construction companies are "cynical" about the prospects for private financing of transport infrastructure projects - says a report published by Industrial Market Research.

Urge to return work

A quarter of retired people would probably be interested in returning to work if they were offered appropriate jobs, says a survey by the Confederation of British Industry.

Lloyd's syndicate action

Members of the Lloyd's syndicate formerly managed by Mr Cyril Warrilow started a legal action against the syndicate's auditors and 40 members' agents who introduced them to the syndicate.

BT lifts age limits

British Telecom has virtually stopped specifying age ranges in recruitment advertising to widen its sources of new staff.

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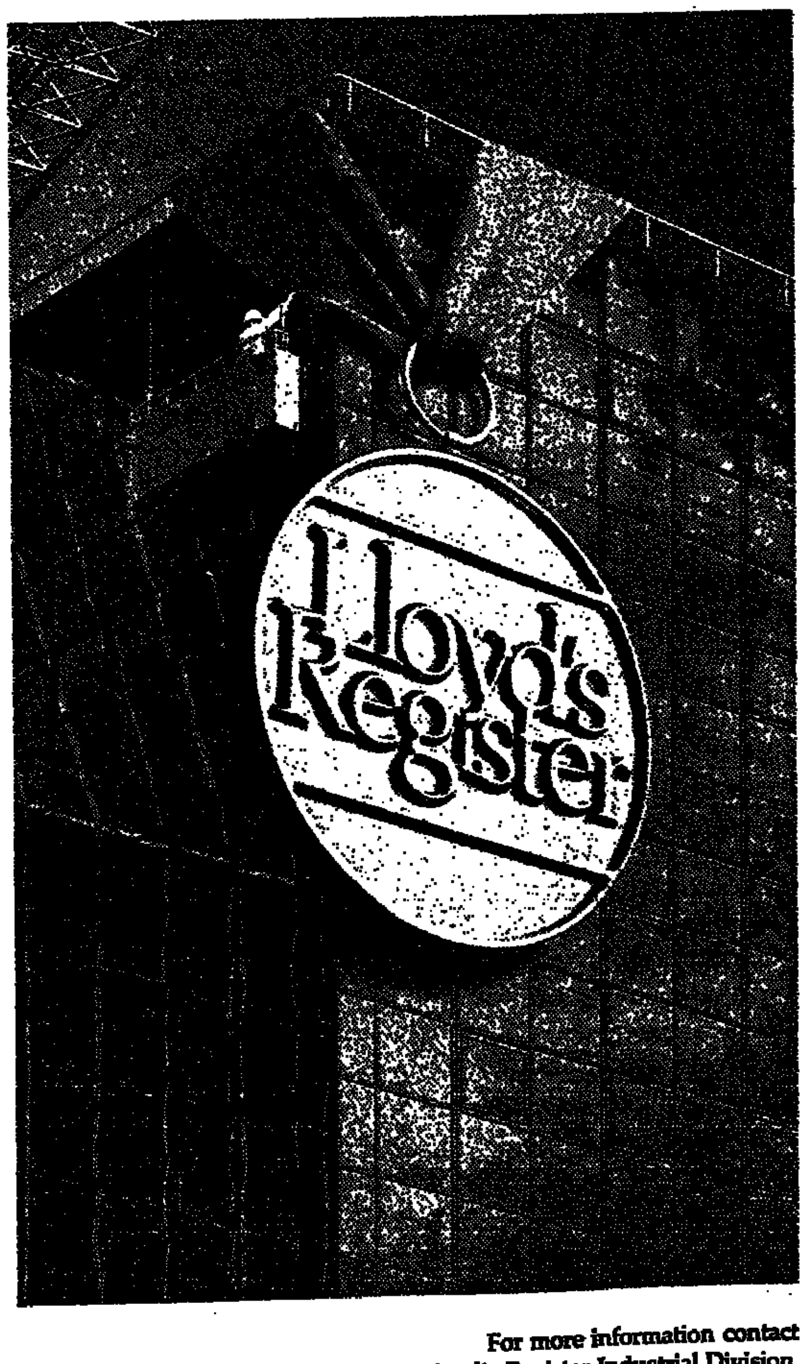

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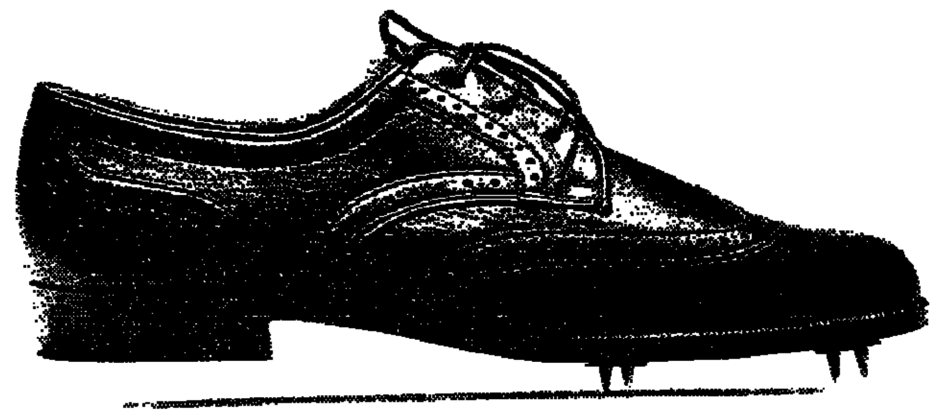

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UK NEWS

Public inquiry called over London City Airport plan

By Andrew Taylor, Construction Correspondent

A PUBLIC INQUIRY is to be held into plans to expand London City Airport.

Two UK Government departments, environment and transport, made the announcement yesterday.

A public inquiry is also be reopened into plans to build a bridge across the River Thames between Beckton and Thamesmead.

The design of the bridge, known as the East London River Crossing, was modified earlier this year. The height of the bridge was lowered to prevent it interfering with jets landing and taking off from the nearby London City Airport.

Mowlem the construction group which owns and operates the airport wants to increase the length of the runway to allow the British Aerospace 146, known as the whispering jet, to use the airport.

It also needs planning permission to change the existing noise agreement which restricts the number of flights which can be made by the Dash 7 currently using the loss-making airport.

The British Aerospace 146 can carry more passengers and has a greater range than the Dash 7 - although it is noisier.

Mowlem has been negotiating with London Dockland Development Corporation in a bid to get the agreement changed but the corporation has been concerned at the impact this may have on its plans to encourage more housing development in the former Royal Docks.

Mr Chris Patten, environment secretary said yesterday he had decided to call in Mowlem's applications to extend the runway and to change the noise agreement.

Mr Patten and Mr Cecil Parkinson, transport secretary have also decided to reopen the public inquiry into the East London River Crossing.

It had been proposed to build a suspension bridge with tall pillars. This would have interferred with larger aircraft using London City Airport. A change in the design to a lower box girder bridge was announced this summer by the Transport Department.

A public inquiry will now be held into the revised designs.

MPs round on ministry over weapon development

By David White, Defence Correspondent

A WEAPON that arrived five years late, overran costs by 40 per cent and may not do the job it was designed for has been singled out by a cross-party committee of MPs as exemplifying the defects of procurement practices at the Ministry of Defence.

In a report on the Army's LAW 80 short-range anti-tank weapon, the Commons Defence Committee attacks "inadequate management" of the project both by the MoD and by Hunting Engineering, the prime contractor.

"This one project exemplifies most of the main factors which, all too frequently, cause major equipment development programmes to escalate substantially in cost and to be seriously delayed," it says.

The requirement for the $339m programme was changed after work had begun in the late 1970s, after the MoD had reassessed the kind of armour the weapon would need to penetrate.

The committee says the shoulder-fired LAW 80, which finally entered service with the British Army last year, has "limited" effectiveness against the latest Soviet armour. It says the weapon is designed to counter thicker armour, but not explosive reactive armour (ERA) - explosive steel boxes designed to deflect a weapon's impact.

"It would seem therefore that LAW 80 will not be capable of penetrating the frontal arc of the latest Soviet tanks where this is protected by ERA," the committee says.

This is despite an Army view, cited in the report, that the weapon is "better than any other similar system in the world."

It accepts that following a temporary halt in the programme in 1985 "development has continued on much sounder management and contractual footings and has been free of significant problems."

House of Commons Defence Committee, 11th Report, The Procurement of the Light Anti-Tank Weapon LAW 80, HMSO, £6.80 net.

Receivers called in at Finlays

By Maggie Urry

ADMINISTRATIVE receivers have been appointed at Finlays, the chain of newsagents, following cash flow difficulties. Arthur Andersen, the receiver, was called in on Monday morning by Citibank, which had lent money to Finlays.

Mr John Talbot, an Arthur Andersen partner and one of the receivers appointed, said he was hopeful that the 185-store chain, with sales in its last financial year of £49m, could be sold as a going concern.

Finlays is one of the larger chains in a highly fragmented market. Mr Talbot said he was already having discussions with prospective buyers.

Mr Arunbhai Patel, chairman of Finlays and an accountant, said that the harsher retail climate and high interest rates were largely to blame for the company's predicament. He said he thought other newsagents could be suffering similar problems. In particular the group had needed to raise extra working capital but had been unable to do so. The former owners of the wholesaler, Trebor, had given Finlays generous credit terms.

Pension fund returns outrun UK inflation

By Eric Short, Pensions Correspondent

INVESTMENT managers of UK company pension funds have achieved an average total return of 26.5 per cent on their investments, excluding property for the 12 months to end-September 1989: or 25.9 per cent if property investments are included.

These figures, issued by the WM Company, one of the world's largest investment performance measurement firms, reflect the strong rise in the UK equity market in the first nine months of this year.

Since most company pension schemes fund in advance for retirement benefits based on an employee's earnings at or near retirement, the first benchmark of the underlying investments is to outperform the rise in earnings.

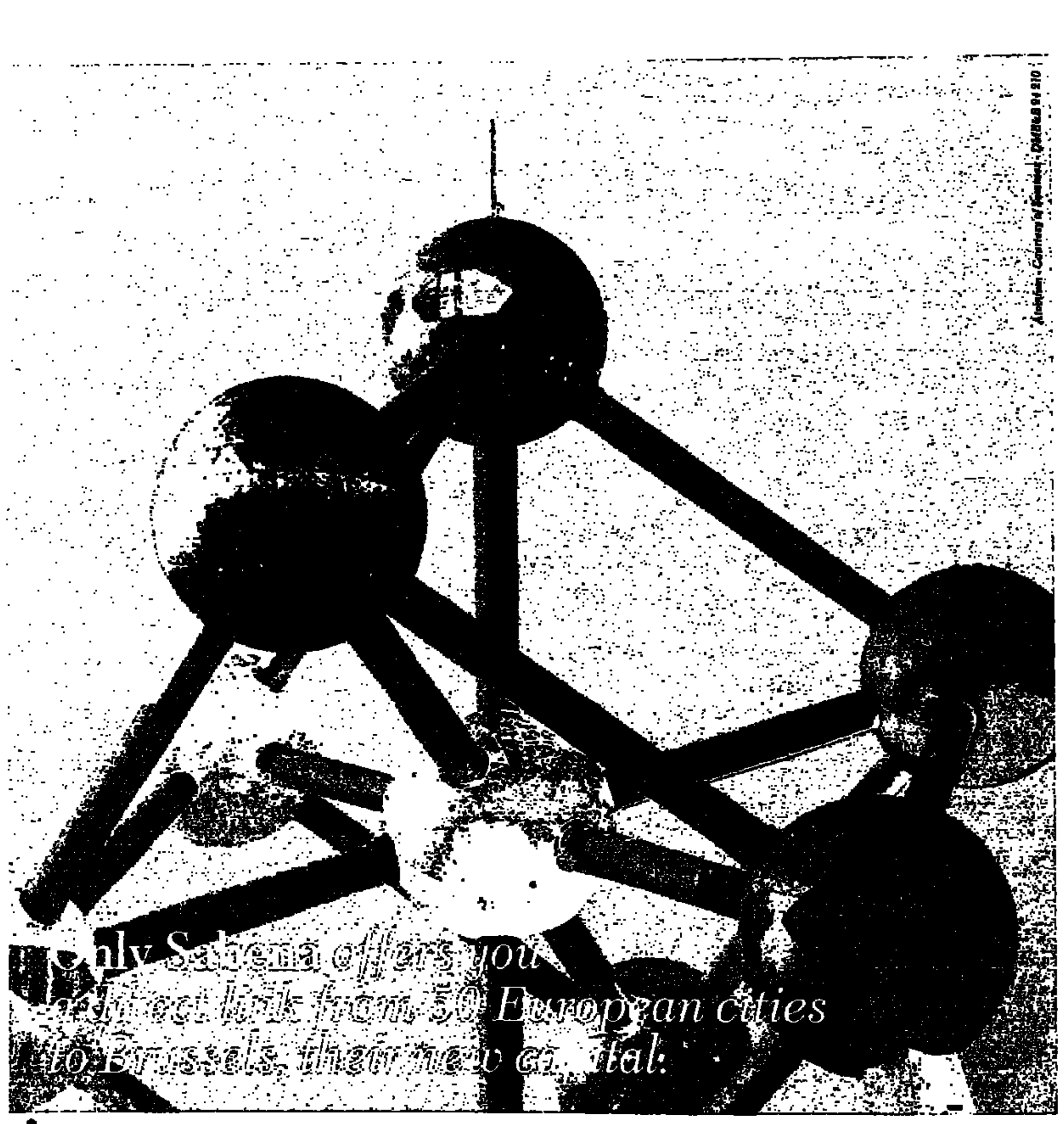
Over the comparable period, national average earnings are estimated to have risen by around 9.5 per cent, and the retail price index climbed 7.6 per cent in the 12 months to September 1989, so investment managers are comfortably outpacing earnings growth as well as price inflation.

The WM analysis shows that pension funds still hold well over half their assets in UK equities, which showed a total return (including reinvested income) in excess of 30 per cent in the 12 months to end-September, but the proportion of assets held in overseas equities has been increasing steadily, and is now approaching 20 per cent. The average return from overseas equity over the period amounts to 35.7 per cent.

Pension funds still tend to hold relatively less in Japanese equities - under 5 per cent - compared with over 7 per cent in US equities, even though Japan is now the world's largest equity market measured by market value.

This lower Japanese equity weighting has been beneficial to performance, since the WM analysis shows that in the nine months to end-September, Japanese equity holdings showed a rise of 12.6 per cent against 44.1 per cent for US equities.

Returns on direct UK property holdings rose by 24.9 per cent rise over the 12 months but only 16.4 per cent for the nine months to end-September. Equities are once again outperforming property, and property holdings in pension fund portfolios are still declining as a proportion of total assets.



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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

ARTS

TELEVISION

What counts above all is sheer talent

More and more attention is paid to television yet fewer and fewer programmes seem worth watching. Could there be a connection? Over the last five years the amount of space devoted to the discussion of the mass media in general and television in particular — indeed, the most minute dissection of every conceivable aspect of television — has increased exponentially. You can hardly open a broadsheet newspaper or switch on the television without finding yourself immersed in yet another discussion of cross media ownership, satellite broadcasting or the auctioning of the ITV franchises. The only subject which has been even more rapidly inflated is business news which, by now, must be driving the non-business minded majority of the population out of its collective mind.

The tendency is for this mass media coverage to start out seriously but move steadily towards the trivial, though the Press seems to be an exception, both as subject and practitioner. *Hard News*, the Channel 4 series presented by my *FT* colleague Raymond Snoddy, has quickly established itself as a serious attempt by television to begin to do for newspapers what newspapers have always done for television: keep a watching brief on the medium on behalf of the public. And the media sections in *The Guardian*, *The Independent* and the Sunday broadsheets remain serious enough, if remarkably changeable in space, staffing, and position.

But BBC1's morning programme about television, *Open Air*, seems increasingly interested in the soapier side of the spectrum, and C4's *Media Show* has just begun a new series with Emma Freud as presenter. She is pleasant to look at, has an impressive name, and can read autocue without looking like somebody peering through a two-way mirror. But her known expertise is in the lightest sort of chat show business (remember her interviews in bed for *Night Network*?) and if she has any special knowledge of the mass media it has been kept a dark secret so far.

There are probably several reasons for this unprecedented coverage of the mass media: the public devotes an increasing amount of time to them; the lives of the leading personalities provide gossip; but above all, as industries, they are growing, and growing fast. This, surely, could provide the connection, and explain the paradox of more and more attention being paid to television at the very time when so few programmes seem worth watching: the rapid expansion has spread the available talent too thin, so that although the quantity has gone up the quality has not.

It is worth emphasising that the sheer bulk of television really has increased greatly in the past few years. True, at any given time there are relatively few people watching breakfast television, Channel 4, late night television, daytime television, cable television or satellite television. But all have come into existence in the last few years, all have to be staffed somehow, and filled with programme material, and thus they have added to the competition for the available talent. So there could, indeed, be a connection between the upsurge in media coverage and the increasingly frequent assertion that "There's nothing worth watching" very rapid expansion in both cases.

Old fashioned but amiable and charming: Michael Palin in "Around the World in 80 Days"

Certainly it is true that, although our household has had an Astra satellite dish for several months now, its programmes are seen pretty rarely. Visiting children like to watch the rock videos provided 24 hours a day by MTV. When radio has alerted us to a news event we sometimes turn to Sky News (a perfectly respectable, indeed admirable, service, albeit thin on the ground) for pictures, this also being a 24 hour service. And once in a while, in among *Revenge Of The Nerds* and *Death Wish Three*, Sky Movies will show something that is unavailable elsewhere on British television and which somebody wants to see — Alan Parker's *Angel Heart* for instance, or Ken Russell's sexually explicit, and funny, *Crimes Of Passion*.

We have also been sampling RTL-V recently, a Dutch service which was sitting there on Astra's Channel 13 when we returned from our summer holiday. But, like so many of the other recent offerings, it seems to consist largely of studio chat and rock videos. In this house the amount of time spent with Astra simply does not justify the provision of all those new channels.

So what of conventional terrestrial television? My list of "Programmes I Would Not Miss" contains just four titles: from BBC2, *Nice Work*, David Lodge's adaptation of his splendid satire on Thatcherite Britain, and *Alexei Sayle's Stuff*, which does not even begin its second series until tomorrow; from BBC1, *Blackadder Goes Forth*, even though this is not as good as the Elizabethan series, and the jokes are becoming dangerously repetitive (ludicrous similes from Blackadder, desperate stupidity from Baldrick, the over-working of Capt. Darling's surname); and from C4 *Mushroom Magic*, one of those unpredictable series on an obscure subject which prove quite fascinating.

There is a considerably longer list of "Programmes I Would Happily Watch." Again BBC2 tops the list with *Newsnight*, *The Late Show*, *M.A.S.H.*, *40 Minutes* and Keith Floyd's latest cooking-and-travelling series, *Floyd's American Pie*. ITV provides *The South Bank Show*, *World in Action* and the bank drama described here last week, *Capital City*. From Channel 4 comes the newspaper series mentioned above, *Hard News*, and Saturday's late night studio discussion series *After Dark*. And BBC1 contributes *Heart Of The Matter* and *Around The World In 80 Days* which opened last week and promptly proved to be a little old fashioned yet relaxed and charming. It is the sort of series which depends almost entirely on the personality of its presenter, and Michael Palin is amiable and entertaining.

Since *Newsnight* is on five nights a week and *The Late Show* four, that makes a total of 19 "Would Happily Watch" programmes, and a grand total of 23: more than three a night on average, and scarcely grounds for complaint, it may be said. Yet this is only a tiny fraction of the output these days, and of that 23 only 4 are new this season.

There have, of course, been other programmes in the past week which were worth watching, either one-off programmes such as *The Last Gulag*, a post-glasnost French documentary about Russia's last camp for political prisoners, or single episodes within bigger series such as *Viewpoint 89's* profile of Wilfred Thesiger, "The Last Explorer." There was also the first in a new series of interviews on C4 by the estimable Mary Golding, called *Answering Back*. Her first subject was Rupert Murdoch (who, given the evidence before our eyes of the *Sun*, *News of the World*, and Sky TV, was worryingly impressive) and the talk naturally covered the mass media waterfront, from cross media ownership to satellite broadcasting.

What it did not cover was the question of how, in a rapidly expanding, ever more cost-conscious industry (and from the very start that word industry sets television apart from the other subjects on this page — painting, music, theatre) you can hope to sustain those lightning-bolts of individual creativity which make the whole thing worthwhile. When people say "There's nothing on the box worth watching" I suspect that what they really mean is that John Cleese is not *appearing as Basil Fawlty*, there is *no* Dennis Potter drama series, and David Attenborough has for the moment put away his rucksack.

You can talk and write until you are blue in the face about the structure of the industry — about co-production money, cable way-leaves, quotas for independents or high-definition technology — but in the end what counts, above all, is sheer talent. It is in short supply, and being spread ever more thinly over an ever increasing area.

Christopher Dunkley

Shylock

RIVERSIDE STUDIOS

Entitled *The Merchant*, Arnold Wesker's treatment of Shakespeare's Shylock story had started its American career when the star Zero Mostel died after one performance. It has enjoyed a Birmingham success and has been favourably reviewed on these pages by Michael Coveney, but this "rehearsed reading" in Hammersmith (until Sunday), facilitated by an anonymous donation, marks the nearest approach to a financially elusive London presentation.

Wesker's production moves the actors round the stage with improvised furnishings, when they are not seated awaiting their cues in a vast semi-circle against black drapes. It is in fact virtually a staged production without décor or the period costumes for the 1563 setting.

The puzzling critical coolness over the past few years for the author of *Roots* and *Chips with Everything* is explained in the chief character himself. Like his (not Shakespeare's) Shylock, Mr Wesker has a generosity and warm openness to him that is suspect to the Anglo-Saxon temperament, though possibly less in America; and which certainly echoes more hollowly in the mean and soured Eighties than it did in the exuberantly hopeful Sixties.

This Shylock is a connoisseur and collector, a Renaissance devotee of culture. He and the merchant Antonio are affectionate friends; and the pound of flesh bargain is struck as a joke at Antonio's insistence despite Shylock's initial revulsion at talk of securities and contracts.

Alastair Muir

Oded Teomi (top) and Frank Barrie

The Jew brings a humanistic richness to the old business-man's stale life, and their relationship provides the theme for the play's subsequent variations: the difference between Shylock's blend of the spiritual and the pragmatic, an apparent contradiction that works, and the Christians' mixture of religious principle and materialism — which does not.

Chief bigot is Lorenzo, a poetaster, dangerously articulate, whom Richard Lintern endows with cold menace. The cast boasts many promising young actors: Julia Lane, a Jessica strong and tense, Mark Sproston and Kate Percival as refugees from terror in Portugal.

Julie Legrand is ultimately too warmly feminine for this Portia's reputedly masculine streak, but her playing is as sensitive and probing as ever. The distinguished Israeli actor Oded Teomi is Shylock in faintly American English: robust, genial, expansive, thunderous when necessary — *the* Topol school.

Martin Hoyle

Doña Rosita

THEATRE ROYAL, BRISTOL

The full title of Garcia Lorca's play is *Doña Rosita the Spinster, or The Language of Flowers*, and this virtually summarises its content. In Granada in 1900, Rosita, little rose, is engaged to her cousin, who leaves to work in South America in Act 1 and is not seen again. Rosita (Susan Curnow smashing in a red dress) has been adopted by an uncle and aunt; the uncle, a passionate botanist, is growing a new rose, *Rosa mutabile* — brilliant red at midday, white in the evening, and dead by sunset.

Fifteen years later, in the next act, the cousin is still in South America. Rosita still loves him, but all he can offer is marriage by proxy, and actually he has married someone else without mentioning it. In Act 3, over six years on, Rosita *still* loves him, though she has learnt of his treachery. Her uncle is dead and her aunt so poor that they must leave the house and move somewhere humbler. Rosita is indeed a *Rosa mutabile*, as she reminds us in a verse quotation from her uncle's botany book.

It is the players' and the director's job to concern us with this featureless landscape, and Phyllida Lloyd's direction is always interesting. She has a striking set by Anthony Ward, with a glass-panelled roof sloping back over the big sitting-room. In Act 1, the room contains a few flowers in pots; in Act 2, it is a jungle of indoor plants. In Act 3, two chairs are all that remain.

Act 2 is full of barely relevant incident. Three local spinsters — tarts in Act 1, now merely jokes — call with their mother to celebrate Rosita's name-day, and are joined by the Misses Ayola, a giggling pair of dykes. There are amusing costumes and effective, balletic movement (by Petronilla Whitfield); so, though little is added to the story, we are always attracted to the stage.

The third act has no such resources, and Garcia Lorca has had to introduce hitherto unknown folk, a lame schoolmaster, a teenage boy, to give the now-elderly aunt and her housekeeper something to do. But we still have some arresting sights as the two oldsters in black, and Doña Rosita, now of course in white, are artfully disposed about the empty stage.

The final touch is great. All three leave by an upstage exit, the room shivers under the storm seen through the glass roof, and we are expecting the curtain to come down. Then a door suddenly blows open and for half a minute we silently contemplate the hopeless scene.

Susan Curnow is a delightful young Rosita, a still attractive grown-up Rosita 15 years on, and a handsome woman in middle-age, slower of walk, deeper of voice. Eve Pierce as the aunt and Sandra Voe as the faithful housekeeper are the only other three-dimensional characters; they age sympathetically. I also admired Peter Russell as the schoolmaster, though he has little to tell us.

Gwynne Edwards translated the Spanish, more successfully with the comedy prose than with the dramatic verse.

B.A. Young

Eva Pearce and Susan Curnow

A revolutionary view of criticism

CHELTENHAM LITERARY FESTIVAL

The last days of the 40th Cheltenham Literary Festival emphasised the second element of its theme "Tradition and Revolution" more than the first. On Thursday we had what has become Paul Foot's annual lecture on left-wing men of letters, a stimulating piece on Marat. He published *L'Ami du peuple* rather in the style of the *Daily Mirror*, and the executions during the Terror were not really his responsibility. Mr Foot clearly despises his Cheltenham audience, but it loves him.

On Friday Professor Royden Harrison gave an interesting hour on Sidney and Beatrice Webb, whom we remember for the Fabian Society, the LSE, the New Statesman and virtually the Labour Party. Professor Terry Eagleton on Saturday presented a revolutionary view of criticism; authorship was unimportant, the reader's interpretation mattered as much as the writer's intention, and all writing was intertextually descended from other writing. In spite of this, he presented the annual Cheltenham Prize to Medbh McGuckian for her poems, *On Ballycastle Beach*.

David Edgar's book of theatre essays, *The Second Time as Farce*, was discussed by him with David Caute and Raphael Samuel, but they had too little difference of outlook to make their discussion truly exciting. Theatre criticism was more humanely served by Kathleen Tynan and Nick Hern, who spoke of Kenneth Tynan with affection and understanding.

On Saturday came Doris Lessing, who drew an audience of 600. Her subject was *The Idea of Revolution*, but the series of vaguely relevant ideas she pleasantly offered us was not organised in any direction, and all we really learned was that she no longer approved of Communism but Socialism was all right.

On the Tradition side, we had an interesting talk on *Adapting the Classics*, by Olwen Wymark and James Pettifer, including adaptation for radio and television. They were followed by readings from Osip Mandelshtam, in English by Karen McCrary and Donald Rayfield, and in Russian by Alla Geilch.

Martyn Goff, Administrator of the Booker Prize, spoke of prize writing in general and the Booker Prize in particular. He had with him Penelope Fitzgerald, a former Booker winner, and Rose Tremain, a former judge and on this year's shortlist. An instructive hour.

Among miscellaneous literary pursuits, science fiction was covered by David Wingrove. Such a phenomenon as his publisher's contract for a seven-volume first novel, *Chung Kuo*, is almost science-fictional in its unlikeliness. Dave Gelly played some discs of Hoagy Carmichael, Chuck Berry and others, to suggest that they threw light on the American scene. I liked the discs. Antony Hopkins spoke, and sang, at the piano, on *Words and Music*, showing how he composed some of his works. And Nicole Ward Jouve probed the psychiatry of murderer Sutcliffe.

The Festival ended colourfully on Sunday. At 11 am Jack Klaff (as one of the Lippizaners from the Vienna Riding School) gave his own selection from Karl Kraus, the Viennese satirist, funny and provoking. In the evening, Dennis Potter read from the script of his next television piece. He not only hooked his audience as viewers next spring, but gave a masterly lesson in how to write for television.

Then an all-star cast, Michael Denison and Dulcie Gray, Angela Thorne and Christopher Timothy, devoted two hours to *The Extended Circle*, Jon Wynne-Tyson's anthology of writing against cruelty to animals, including a performance of Henry Salt's short "green" play, *A Pinch of Salt*. And after them, to wind up, three players from the RSC gave a happy demonstration of what it was like to be actors. I have neglected most of the 16 poets who read from their own work. For them to have done so is surely an intrinsic reward.

B.A. Young

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ARTS GUIDE October 13-19

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zaks's desperately bright production comes from the Lincoln Center in New York and is undemanding summertime fare (734 8951, cc 836 2428).

The Master Builder (Barbican). Magnificent RSC revival of Ibsen's late poetic drama of lies, deceptions and misrouted sensuality. John Wood is the first great Solness since Redgrave, then Olivier, played it in London. Adrian Noble directs, Richard Hudson's tilting roofs chart the aspirations and final dramatic plunge. (638 8891) Oct 19, 25, 26, Nov 1; 2.

A Flea in Her Ear (Old Vic). Feydeau's farce in the John Mortimer translation spiritedly done as German Expressionist nightmare by Richard Jones and the Quay Brothers, the directing and design team on WNO's *Love of Three Oranges*. Jim Broadbent leads good cast as the discomfited insurance manager and his doppelganger, a drunken hotel porter. An interesting, enjoyable, unfairly derided experiment (928 7616, cc 240 7200).

The Tempest (Barbican). John Wood's other great performance this season with the RSC is his Prospero in Nicholas Hytner's production, a towering, intemperate impresario whose magic is an instrument of both revenge and resolution. (638 8891) Oct 20-24, Oct 30, 31.

Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent is a means of escape and a reason for not going back. Janet Suzman and Sara Kestelman are electrifying in support. (867 1116)

Veterans Day (Haymarket). Imperfect Donald Freed nationalist paranoia play about three veterans gathered to bump off the President partly redeemed by fascinating duo of psychotic Vietnam hero Michael Gambon and brightly accommodating Second World War buddy Jack Lemmon (930 9832).

M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

A Few Good Men (Eisenhower). One of the few new, contemporary dramas headed for Broadway gets its world permiere in Washington, in this story of a military cover-up. Ends Oct 29. (467 4600)

Chicago

The Misanthrope (Goodman). The first production of the season exchanges Moliere's France for contemporary Hollywood in a new adaptation by Neil Bartlett, directed by Robert Falls with David Darlow playing Alceste. Ends Nov 4 (443 3800).

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

SALEROOM

French classics buoyant

Sotheby's began life as a book auctioneer and is keeping up the tradition with the dispersal of the library of one of the most prodigious American collectors of the century, H. Bradley Martin, who died last year. His ornithological books made \$13m. in New York in June and now his collection of French literature of the Romantic era is under the hammer in Monaco.

The first day yielded £556,731. The three top lots were acquired by the Parisian dealer, Beres. He paid £38,787 for the autograph manuscript by Barbey d'Aurevilly of his story "Le rideau cramoisi" from his collection "Les Diaboliques" published in 1874. It had carried a top estimate of £1,500. A letter written by Baudelaire in 1860 to his publisher, and including two poems, went to Beres for £35,935 (estimate £800), while a presentation edition in five volumes of the works of Poe, which Baudelaire gave to a friend, made £33,653.

A signed first edition of Baudelaire's "Les Fleurs du Mal" sold for £28,520 while another French classic, a first edition of Balzac's "Le Père Goriot," a presentation copy of 1835, realised £18,252. A similar dedication copy of "La Peaue de Chagrin" by Balzac made the same sum.

There was considerable Italian interest in Phillips furniture sale, which totalled £404,855, with 9 per cent unsold. A Pontremoli needlepoint carpet, 5.95m x 4.26m, doubled its estimate at £33,000; an early Victorian mahogany architects folio table made by Gillow also doubled its forecast at £29,700; and an 18th century Italian marquetry rectangular chest in the manner of Maggiotini went back to Italy at a cost of £28,600.

★

Behind the 17th century panelling and the 18th century wallpaper of many old houses there are fascinating wall paintings. We are beginning to discover the glories of church wall paintings of the Middle Ages but at the Gallery of the University of Essex, until November 3, there is a fascinating display of domestic wall paintings from houses in the county.

Essex is particularly rich in this field. Many come from the period around 1600, and what captures the eye is the way that artists made use of the books of the period to reproduce illustrations. The most arresting image is a mid 17th century portrait of a woman holding a candle and bedpan, painted on a staircase wall. In her Puritan costume she looks like a witch from Salem, but is probably the good woman of the house making sure her guests are happy.

Antony Thorncroft

FINANCIAL TIMES
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Wednesday October 18 1989

Blurred vision of Europe

WHEN MRS Thatcher spoke a year ago at the College of Europe in Bruges she did not mention the President of the European Commission by name, but her speech was generally seen as a riposte to Mr Delors's intervention at the British Trade Union Congress. Similarly Mr Delors avoided mentioning the British Prime Minister's name when it was his turn to speak in Bruges yesterday. But it was inevitable that his speech would be read, at any rate in Britain, as a response to Mrs Thatcher.

And so it was, at least in part. Mr Delors was not ashamed to call himself a federalist, or at any rate to assert that he had "often had recourse to federalism as a method," while insisting that federalism includes the principle of "subsidiarity," meaning "the decentralised organisation of responsibilities, so as never to entrust to a larger unit what can be better achieved by a smaller one." He did not need to remind his audience that this principle is one to which the British Government is fervently attached in its dealings with the Community, though less so in its management of Britain's internal affairs.

European federalism, he said in substance, should be seen as strengthening and enriching, rather than threatening, the sovereignty and diversity of the different peoples of Europe. Each nation, he said, was bound "to ask itself how much room for manoeuvre it really enjoys in today's world," and the origin of the Community's failures lay "in the fiction – deliberately maintained – of full sovereignty, and thus of the absolute efficacity of national policies."

Abstract tone

There is some truth in this, and certainly there are areas where governments can act more effectively to secure their peoples' interests by pooling their sovereignty than by jealously guarding it. Where Mr Delors perhaps errs is in hinting, by his repeated emphasis on the word *puissance*, that "full sovereignty" can somehow by recovered through the concentration of powers at European Community level, so that Europe itself can become, as it were, an old-fashioned but larger nation-state.

His emphasis on subsidiarity is entirely welcome but, like the rest of his speech, it was left at a maddeningly general and abstract level. The problem that it raises is how one decides which issues can be satisfactorily dealt with by the member states, and which ones are the proper subjects of action at the Community level. This newspaper broadly agrees with Mr Delors that the latter category includes monetary and macro-economic policy (and notes with satisfaction that he did not, this time, insist on rigid fiscal harmonisation); it is more sceptical about much of the subject-matter included in the Commission's draft for a "Charter of Social Rights".

Exciting challenge

The most intriguing passage in the speech came at the end, when Mr Delors spoke of the need for a "qualitative leap both in our conception of the Community and in our modes of external action" in order to "respond to the accelerations of history" – by which he apparently meant mainly the changes in the Soviet Union and eastern Europe.

It is true that these changes present the Community with a challenge which is both very exciting and fraught with risk, and that they are happening at a speed which the Community's cumbersome decision-making machinery is ill-equipped to cope with. Yet when Mr Delors said that the "triangle" of Council, Parliament and Commission was "insufficient" to respond to this challenge he said either too much or too little.

Of all the decisions the Community is called on to take, a radical reform of its own institutions, presumably embodied in yet another treaty (on top of the proposed one instituting an Economic and Monetary Union), would surely be the most difficult and time-consuming. It may indeed be necessary in the long term, but it seems unrealistic to propose it as a response to a problem which has been defined as one of immediate urgency.

Mr Delors clearly has something more specific in mind. He should lose no time in spelling out exactly what it is.

Agenda for the Commonwealth

THE week-long *Commonwealth* summit starting in Kuala Lumpur today promises to be a much more constructive exercise than its cantankerous predecessors in Vancouver and Nassau in 1987 and 1985.

As on the last two occasions when the Heads of Government meet, the situation in South Africa will be one of the main items on the agenda. But the latest developments in that country, notably the release of political prisoners, have taken some of the sting out of the sanctions debate. Mrs Margaret Thatcher, who at past Commonwealth meetings has had to face the serried ranks of the other leaders, the great majority of whom favour comprehensive and mandatory sanctions, is likely to be somewhat less isolated at Kuala Lumpur – though her basic position remains unchanged.

The British Prime Minister continues to be fiercely opposed to sanctions because she claims that they would not be instrumental in bringing about the desired political solution of South Africa's problems. By contrast, the other Commonwealth governments see them as an effective tool for bringing pressure to bear.

Conditional sanctions

Yet there is a fair chance that, in Kuala Lumpur, the opposing camps might be able temporarily to set aside their basic differences by agreeing that tougher sanctions should be conditional on the progress made by Pretoria in dismantling apartheid.

Canada and Australia have already expressed strong reservations about radical proposals for trade sanctions, made in a report submitted to a committee of eight Foreign Ministers, set up two years ago without Britain's participation. It also seems probable that the committee will propose a breathing space of several months before calling on the international banking community to impose stricter conditions for next year's rescheduling of the South African debt. This move is intended to give the Pretoria government time to match its words with deeds – though Britain will not accept any deadline for future sanctions.

The growing acceptance within the Commonwealth that there is at least the prospect of real movement in South Africa will help to make the debate on this subject less confrontational than in the past. Mrs Thatcher and her colleagues thus have a good opportunity to explore the common ground in their positions, and for once to send a message to Pretoria which will have the whole weight of the Commonwealth behind it. That message must still be couched in firm terms, making clear that the Commonwealth's goodwill can be obtained only in return for fundamental and irreversible reforms.

Neglected issues

The lowering of the temperature surrounding the South African discussions will also enable the summit to pay more attention to other important but neglected subjects, such as the environment and the fight against drug trafficking. Above all, it will offer the leaders of nearly 50 countries spanning both developed and developing world the opportunity to examine the role that they expect the Commonwealth to play in the next decade and beyond.

Even the most convinced supporters of that institution are forced to admit that its functions are not always obvious. It has, it is true, served as a useful forum in the post-colonial period for the airing of southern African problems. In some cases, such as the Lancaster House conference leading to the independence of Zimbabwe, it has made a real contribution to the final settlement. However, as Britain forged new links with the European Community and other Commonwealth members became more closely involved in the problems of their own regions, an organisation which London once saw as the extension of its Empire in another form, progressively began to lose its raison d'être. The historical and sentimental ties remain. But they will be insufficient to keep the Commonwealth together in the twenty-first century if they are not backed by a much greater attention to the practical problems facing the developing countries – the majority of members – than has been the case in the past.

Guy de Jonquières reports on foreign companies' tales of doing business in the UK

Welcome to our muddled home

For Rolf Paltzer, managing director of the UK operations of Gruner & Jahr (G&J), the large West German publishing house, the abiding memory of his early efforts to establish his company's operations in the UK is acute frustration.

"The problems of dealing with administration and setting up a business infrastructure were so great that there were times when I went home in the evening feeling that I had spent the whole day bashing my head against a brick wall," the Swiss-born Paltzer recalls.

Yet today, barely four years after G&J first prospected the British market, it has struck gold. Its Prima magazine, launched three years ago, is now the country's best-selling women's monthly and is already in profit. Its stable-mate Best, launched a year later, ranks third or fourth among the weeklies.

Their success, Paltzer contends, has also shaken up the British magazine publishing industry. "It was a very rigid, segmented market before we arrived. Nobody challenged anybody else's position. Now all that is changing."

G&J's story, though in some ways exceptional, is far from unique. Its experiences of setting up in the UK are shared to varying degrees by Ikea, the Swedish home furnishings retailer, Plastic Omnium, a family-owned French plastic moulding manufacturer and Alsys, a small software group also from France.

The broad picture which emerges is of a hospitable market, open to new products and services and as accessible to the enterprising newcomer from abroad as to local competitors. As Birger Lund, general manager of Ikea UK puts it: "As a foreigner, I've always been treated just like anyone else. There aren't any hidden rules or clever things that only the British know."

But there is also a less flattering side to the picture. Many of the market opportunities were snatched from under the nose of UK companies which had failed to exploit them. Several of the European newcomers also complain of disorganised UK working methods, poorly trained workforces, staff shortages and complex red tape.

How far these problems reveal genuine weaknesses in the UK system, and how far they simply reflect lack of familiarity with local customs and culture, is debatable. Inevitably, each company's perspective is coloured to some extent by its own particular circumstances – though not always in ways one might expect.

'I went home feeling that I had spent the whole day bashing my head against a brick wall'

G&J, part of the Bertelsmann media group, and Ikea, are big multinational concerns which already had operations spanning continental Europe before they looked to the UK. Yet their cross-Channel expansion was part of no carefully prepared master plan.

Indeed, it appears to have been largely a result of off-the-cuff decisions to send someone over, sniff around and try his luck. This nonchalance stems from the two companies' highly decentralised management style; both leave the man on the spot to make his own way, providing back-up only when it is asked for.

Paltzer has a cartoon of Axel Ganz, G&J's first emissary to the UK, arriving in 1985 with a carpetbag bulging with money. Lund's first UK base in 1984 was not a smart suite in London's West End with a retinue of support staff, but a rented cubicle in an "office hotel" in the city's outer suburbs.

As a consequence, both men had difficulty initially convincing the natives that they represented large international organisations. British banks were coy about granting them credit, while their efforts to recruit local staff met with scepticism. "It takes a certain kind of person to come to a rather tatty office at an unfashionable address and listen to a Swede who doesn't speak very good English tell you he is going to build a big store," says Lund.

By contrast, Alsys, though a mere David, adopted Goliath tactics from the start. Its UK subsidiary, formed as a result of personal connections between a group of British and French software engineers, made its debut at a trade fair in May 1985. It took a large stand which its local managers designed and built themselves, recalls Martyn Jordan, UK sales and marketing director. "Then we strutted around as if we were IBM. If you behave like a big company, people don't see beyond the veneer that you're really only a small one."

However, Alsys had to overcome another hurdle – penetrating the clubbish and chauvinistic defence sector which is the main market for its products. It took a year to win Plessey as its first big client, after which GEC, British Aerospace and Ferranti followed.

The key, says Jordan, was to present an all-British front. "Other people never raised the fact that we were French, but you could tell what they were thinking by the way they reacted. So we did everything to down-play our Frenchness. We located in Henley, a very English town, and we didn't parade our French executives." Only later, when British clients were wined and dined lavishly by the parent company in Paris did Alsys' French connection prove a commercial asset.

For Plastic Omnium, UK expansion was largely a matter of self-defence. The company had had a sales office in Britain since 1972 and was doing a roaring trade selling wheeled rubbish bins there. But rising freight costs and rumours that its three main competitors – all German – were planning to start manufacturing in Britain persuaded it in 1986 that it had to do likewise to preserve its market.

After considering but rejecting both making acquisitions and building its own plant, Plastic Omnium settled on a former warehouse in Telford, Shropshire. The choice was the result of an accidental encounter at a Birmingham trade fair between Jean Burelle, Plastic Omnium's managing director, and officials from Telford Development Corporation.

At first, British plastics makers resisted Plastic Omnium's plans, insisting that the company had little special to offer. Burelle's response is that two and a half years after it began operating, the Telford plant employs 280 people and is heading for a £20m turnover this year. Much of this growth is due to a contract from Peugeot to supply its Ryton car assembly plant with petrol tanks and bumpers.

Burelle has nothing but praise for the support he has received from Telford and from the Department of Trade and Industry, which gave Plastic Omnium financial assistance. "The DTI people in particular were excellent – eager, competent and always very effective. I was most impressed with them."

The siting of Ikea's first superstore, which opened in the unlikely location of Warrington, Cheshire, in October 1987, was also the result of salesmanship by local authorities. Lund will not give exact figures but says sales there are well up to expectations, as are those of its store in Wembley, North London, which opened a year later.

Though UK spending on home furnishing is among the lowest in Europe, Lund argues that Ikea has succeeded by pioneering a market for out-of-town superstores, neglected by local retailers such as Habitat. "People in this country are still trying to protect the high street," he says.

Lund initially spent 18 months looking for a London site off the M25 orbital motorway before concluding that he would never be granted planning permission for it. But getting British architects to adapt Ikea's basic store design and builders to construct it was suprisingly straightforward. By contrast, G&J encountered endless problems getting its London offices fitted out and equipped.

Setting up a company pension scheme took a year, because UK pension rules were in the midst of being changed at the time. Unable to obtain clear professional advice, Paltzer and his colleagues decided to sort out a scheme for themselves. "We read so much about the subject that we said, if our next magazine fails, we'll become pension advisors."

Recruitment was another headache. Though G&J found it relatively easy to hire and keep editorial staff, its first British managing director abruptly quit in 1986 after only 18 days in the job. Headhunters proved unable to turn up suitable finance and administration executives. "All the candidates they sent me seemed to have just returned from the colonies," says Paltzer. In desperation, he turned to a temporary employment agency and found just the person.

Plastic Omnium's experience was equally discouraging. "We had a lot of difficulties and disappointments finding people," says Burelle. Telford went through two British plant managers in six months before a satisfactory candidate was headhunted from Rockwell International. Even today, Burelle complains, Plastic Omnium's British engineers are less dedicated to their jobs than its French ones and skilled staff are becoming increasingly hard to find.

Some of these failings may be partly the companies' responsibility. Paltzer concedes that his job definitions were probably too imprecise, stressing G&J's international operations when purely local managers were needed. He also says that some who performed well as "hands-on" managers during the start-up phase found it hard to delegate decisions once the UK subsidiary became established.

Of the four companies, only Ikea – which recruited largely through newspaper advertisements drafted by Lund – gave local managers extended training, sending them to work for six months at one of its overseas stores. All those who joined the UK subsidiary at the start have remained with it. However, the company says shortages of sales personnel, particularly in London, are a growing problem.

Several of the companies also had difficulties with banking arrangements and dealing with the British legal and tax systems. Some of these problems were due to differences between UK and continental practice, some to quirks of the British system and some to a mixture of both.

Banking: G&J initially entrusted its affairs to Deutsche Bank, its "house bank" in Germany. But Paltzer says the bank's London branch, which was primarily engaged in investment banking, was unable to handle payroll. After it started paying UK employees' salaries twice, G&J moved its business to Barclays, which took some while to realise quite what a big customer it had hooked.

Ikea's biggest problem was the refusal by some British banks to honour customers' cheques, even though they were supported by cheque cards. As a consequence, its UK stores are the only ones to take credit cards: all the others take payments by cash or Eurocheque.

Legal affairs: "You have to sign so many documents in Britain, it is ridiculous," says Burelle. "In France, a building lease is a two-page document. In Britain it is 70 pages and even stipulates how many coats of paint you must use when you redecorate."

The partnership status of G&J's UK subsidiary (chosen for tax reasons), has created many complications. Though Paltzer has powers of attorney, he has found that many business documents are not accepted in Britain unless signed by lawyers at the group's headquarters in Germany.

Tax: Alsys has had to spend considerable sums compensating French engineers who are seconded to the UK because they are taxed much more heavily than at home. G&J faced an attempt to impose value added tax on the dress patterns in its magazines. The issue was amicably resolved after Paltzer visited the customs and excise authorities. "My advice to anyone is to sort your affairs out with the taxman as early as possible," he says.

Different companies draw quite different lessons from these experiences. Martyn Jordan says Alsys in the UK has benefited enormously from the parent company's decision to fix it up with good bankers and legal and financial advisors right from the start. But Rolf Paltzer argues: "Don't leave it to advisors. They don't know all the answers. You have to get out on the street and do it yourself."

In spite of their trials, all four companies have found doing business in Britain ultimately a rewarding experience and see plenty of room for further expansion. Plastic Omnium aims to go after more UK customers, while Ikea plans a third store in Birmingham. Lund believes it may eventually open as many as 10 in Britain.

It is perhaps appropriate that the last word should go to Paltzer, the most outspoken critic of Britain's shortcomings. "It does take time to get things done," he says. "But the business climate here is very agreeable. People talk about everything very frankly."

This article is part of an occasional series on the experiences of foreign investors in EC countries

OBSERVER

Road from Rochdale

■ There have been several attempts to answer the question about Rochdale wine raised in Observer last week (October 11). Someone suggested that there was once a French village called Rochedale, and that the middle "e" had been dropped before the village disappeared.

The real answer, however, which probably we should have known, is that the wine is indeed a tribute to Rochdale, Lancashire. As a number of sources have pointed out, Rochdale is the home of the first successful co-operative. That was in 1844.

The word "successful" is important. There had been co-operatives before. Rochdale took off because it was one of the first to pay a dividend. The Rochdale Pioneers also issued a set of principles for co-ops around the world.

They started in a small shop in Toad Lane. This is now the home of the Rochdale Pioneers' Museum, which is a sort of shrine for the co-op movement. Ray Garratt, the museum's director, says that the visitors come from far and wide. Last year there were some from Alaska. The Japanese, he adds, are particularly keen on co-ops. "There is even one in the Imperial Palace – in the Emperor's servants' rooms." Japanese tourists flock to Toad Lane.

A few Rochdale labels on bottles now full of red ink are shown in the museum. But there is no certainty about when the French wine-producers picked up the name. It seems to be used to by a number of small co-operatives, some of them in the Strasbourg area, some of them around Rheims. There was once a Château Rochdale, fondly remembered by tourists, but this is thought to have disappeared. The "CN" on the label quoted by Observer stands for Co-op Normandie.

The sources think that the wine has always been a blend, but do not know why. They explain the "mélange" of different wines from the European Community mentioned on the label last week as showing that the co-ops are now good Europeans.

Even loyal British co-op supporters sometimes go to France and fail to find the wine. Rochdale had disappeared from the shelves in Saintes last summer, for instance.

Still, the Pioneers are coming up to their 150th anniversary. As a celebration in 1994, there is talk of Rochdale being on sale in Rochdale, Lancashire.

Irish decline

■ Another nail in the coffin for lovers of old Dublin. The Phoenix Park racecourse, only minutes away from the city centre, is to close after two more seasons.

Racing at "The Park" – Ireland's answer to Royal Ascot – has been one of the features of Dublin life for nearly 90 years. Few things could better putting down the pencil in the office of a summer evening and gently driving through Phoenix Park, the biggest city park in Europe, to look at a few horses and win or lose a few punts.

Though "The Park" has been making a small profit recently, debts have been mounting. A series of mysterious fires which destroyed a stand and damaged offices were another blow. Its owners, prominent among them the Irish racehorse trainer Vincent O'Brien and the owner and breeder Robert Sangster, are lodging a planning application to put 600 houses and an international hotel on the racecourse site.

Change of tune

■ Mikis Theodorakis, composer of Zorba the Greek and a great deal else besides, has defected from the Communists to the conservative New Democracy in the Greek general election campaign. He has been placed high on the party's electoral list and will almost certainly become a member of the new Parliament.

"Pop behind the screen, Mr Clarke, and drop your proposals."

Theodorakis has been a communist most of his life, and a communist MP for much of this decade. He says that he is switching to the conservatives because he liked the consensus and cooperation that arose out of the coalition of New Democracy and the Communist Party in the last few months.

More cryptically, he adds that he has become a target for left wing terrorists and has vowed to hunt them down.

He has changed his mind about Greece before, several times threatening to leave the country for good. He is in favour of a reconciliation with Turkey.

His popular tunes were banned during the colonels' regime as being a symbol of the resistance. But he is not only a popular composer: his musical background is classical, and recently he has returned to it.

Theodorakis also composed the Palestinian national anthem. Now 64, he is working on an anthem for the 1996 centenary Olympic Games in the hope and expectation that they will take place in Athens.

Serious stuff

■ Nancy Reagan's astrologer is Joan Quigley of San Francisco. Starting shortly after the assassination attempt on the President in 1981, the First Lady paid Ms Quigley $3,000 a month for her services, which included advice on the most favourable times for the President to travel and to take part in important state occasions.

This much we now know from Mrs Reagan's memoirs and from several television interviews given by Quigley, whose most obvious characteristics are blue-tinted spectacles, big staring eyes, and a very earnest voice. Quigley recounted on CBS on Monday how she influenced the timing of the signing of the INF nuclear weapons treaty in Washington in 1987. Superpower summits, she said, were a very busy time for her.

In her book, Nancy Reagan said her relationship with Quigley "began as a crutch, to alleviate my anxiety about Ronnie. Within a year or two, it had become a habit." Quigley said she was speaking out to protect her reputation as a serious professional astrologer.

Upside down

■ "It was a David and Goliath fight and we were never going to win," said Sister Catherine, the nun who lost her chickens, yesterday. She might check her sources. In the Bible, it was David who won.

SCT
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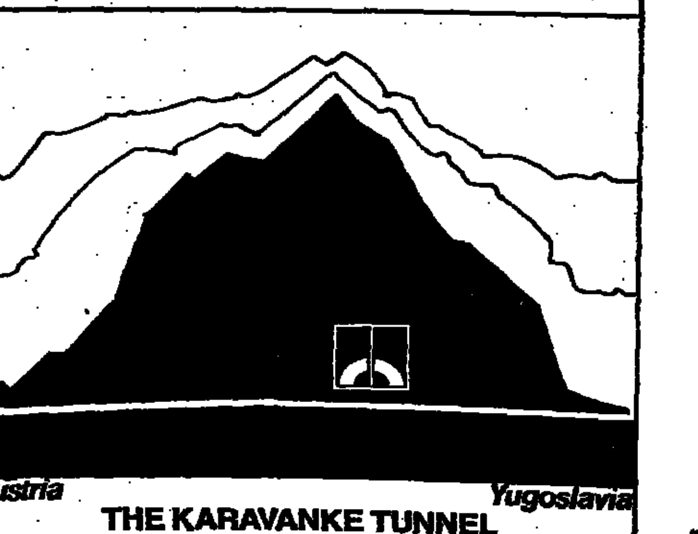

THE KARAVANKE TUNNEL
SCT Ljubljana's tunnel-boring crew met up with their Austrian colleagues on 28th May 1989
1000 m beneath the peaks of the Karawanke mountain range

Despite exceptionally difficult geological terrain, the main contractor working on the 3540 metres long Yugoslav section of the tunnel, SCT from Ljubljana, has succeeded in concluding the most demanding part of the tunnel construction 74 days ahead of schedule.

After completion in 1991 the 7840 metres long tunnel will link the western European motorway system with the trans-Yugoslav highway now under construction, continuing to Greece and Turkey and to the Near and Middle East.

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Tony Walker looks at attempts to reform Egypt's loss-making public industries

Dismantling the dinosaurs

A World Bank team is expected in Cairo this week to continue in its attempt to bring reform to Egypt's unwieldy public sector, which accounts for about 70 per cent of the country's industrial output. The significance of the liberalisation campaign extends well beyond the confines of Egypt's faltering and debt-burdened economy.

Western economists in Cairo see the current attempts by both the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (World Bank) to push Egypt into genuine reforms of the public sector as an important test of impending joint programmes in eastern Europe.

"This IMF-Bank programme in Egypt has very clear relevance for Eastern Europe," said one such economist.

"The problem with all these centrally-planned economies is that they are like houses of cards: which card do you pull out without collapsing the whole thing overnight?"

The international lending institutions are attempting to sweeten the distasteful medicine of deficit reduction, exchange and interest rate reform with the sugar of additional funds for structural adjustment. They face a similar task in Egypt as they do in countries like Poland, with centrally planned and Soviet-inspired systems that are strongly resistant to change.

Egypt's own parlous economy and pressure from almost all sides has encouraged the beginning of a lively and, at times, acrimonious debate about the need for reform of the unwieldy public sector.

President Hosni Mubarak, who has always presented himself as a guardian of state enterprise, recently spoke out in favour of liberalisation. Addressing a Congress of the ruling National Democratic Party in July, Mr Mubarak singled out the state-owned Misr Dairy, which has not made a profit in seven years, as an example of the sort of enterprise that can no longer be supported.

In the weeks following his NDP Congress speech, Mr Mubarak and his Ministers appeared to back away from their commitment to reform; but advocates of economic liberalisation are drawing comfort from the fact that the issue is at last being openly debated.

They believe that, whether it likes it or not, Egypt is being forced by circumstance into a process of industrial rationalisation: that huge pressures on slender financial resources will oblige the government to begin dismantling some of its loss-making public sector dinosaurs.

They point out that the hapless Misr Dairy is only the tip of a pyramid of chronic public sector failures. Unless they are rationalised, these will be a drain on the budget for an indefinite period.

Dr Khaled Sherif, an assistant professor of Economics at the American University in Cairo and a leading advocate of reform, says that not only are many of these enterprises an "enormous burden" on the Government, their very existence under state control represents a "conflict of interest between national and corporate goals."

Terry Kirk

The loss-making Nasr car assembly plant: ripe for privatisation

Partly because of the nationalisation programme of the Nasser period of the 1950s and 1960s, the Egyptian state is responsible for a whole range of peripheral business activities. Public sector companies produce, for example, chocolate, chewing gum, wine, beer and soft drinks; and some of these companies are losing heavily.

Dr Sherif asks: "Does the government need to manufacture chewing gum? What about beer and wine in an Islamic country?"

He believes that a determined process of privatisation would be a "crucial move in terms of demonstrating to the international donor community, and to the IMF and World Bank, that Egypt was intent on liberalising its economy."

Recent studies by, among others, the World Bank, foreign embassies, and Dr Sherif himself reveal the dimensions of the problem. They perhaps explain why the government is being forced, reluctantly, to address the issue of huge public sector losses and their impact on the budget.

These studies show that with the exception of the Suez Canal Authority and Egyptian General Petroleum Company, Egypt's approximately 400 National Public Enterprises made a net operating loss in 1986/87 (the period of a World Bank study) equivalent to 1.54 per cent of GDP, and an overall loss (including investment expenditure) equal to 7 per cent of GDP.

Losses of state-controlled enterprises over the last five years to 1987/88 were equivalent to 20 per cent of the budget deficit, the studies show.

> President Mubarak, who has presented himself as a guardian of state enterprise, has spoken out for liberalisation

One hundred and seventeen state-owned enterprises grouped under six major holding companies in food processing, textiles, electronics, engineering, chemicals and metals, lost E£ 1.16bn (£283m) and the approximately 276 other state firms such as the Railroads Authority and the utilities and construction sector piled up losses of E£ 1.3bn.

Of the 120 companies directly under the control of the Ministry of Industry, at least 19 are chronic loss makers. These include 12 public companies such as Misr Dairy under the Ministry of Industry's Food Processing Holding Company.

"None of these firms is generating significant amounts of liquidity to be able to finance their own operations and maintenance expenses or to add to their assets," a recent foreign embassy study reported.

"All of these companies face a series of price controls which limit their returns . . . the 12 companies are supported by transfers from the government and would become insolvent if these transfers ceased . . ."

The net return on capital invested in state industry, according to the World Bank, amounts to not more than 2 per cent.

The World Bank study also found that 35 per cent of capital stock in state-owned industrial enterprises is now idle, either because of lack of funds or grossly inaccurate demand forecasts.

Among various factors contributing to the parlous state of the public sector are price controls (movements in prices bear little relation to increases in costs), chronic indebtedness, lack of new investment, foreign exchange shortages, poor management, and over-employment.

This was compounded by the policy of stuffing state enterprises with surplus employees in the 1960s, under the Nasserite guarantee of employment to all university graduates.

Apart from talking about the problem, the government has at last begun to attempt to define its dimensions. A committee under Dr Kamal al Ganzouri, a Deputy Prime Minister and Minister of Planning, was due to report this month on how to reduce losses of government-owned utilities and industries.

Dr Ganzouri, who is the government's leading central planner, is not expected, however, to advocate an adventurous programme of industrial rationalisation. Rather, he is likely to propose more flexible pricing and wage policies, capital restructuring of certain companies, and the leasing of public enterprises to the private sector, which is already happening on a limited scale.

Egyptian businessmen believe the government missed a golden opportunity to send a clear and positive signal to the private sector, which is extremely nervous about long-term investment, when it unveiled its new consolidated investment law in mid-year. Mr Shafik Gabr, a prominent businessman, said that the new law "did not take any new significant directions in improving the climate for investment that is hindered mostly by government bureaucracy."

In the absence of a stronger push from the government, it is likely that privatisation efforts will focus for the time being on small-scale enteprises such as chicken farms and cement works in the governorates. The government has already begun a process of selling off some of these smaller regional enterprises.

Ahmed Foda, managing director of the newly established Investment and Securities Group (ISG), said that "privatisation efforts cannot be taken on an *ad hoc* basis.

"There has to be a minister in charge of privatisation with a mandate to decide what to do, and unless he is backed by the President nothing will happen."

Third World debt

The day of reckoning has come

By H W Singer

The decade of the 1970s, or more precisely the period from 1973 to 1980, has been described as one of "illusionary growth" for the Third World countries. This was the period when – after the breakdown of the gold/dollar standard of the Bretton Woods system in 1971, and the quadrupling of oil prices in 1973 – the growth of Third World countries was relatively well maintained but at the expense of rapidly accumulating debt obligations.

The illusion was that this system of recycling Opec surpluses and Eurodollars was a self-sustaining system which could go on indefinitely. In fact it was believed that it demonstrated the health and viability of the international financial system. The involvement of the private commercial banks in the development process was welcomed by the governments of the Western countries as taking the load off official development assistance at a time when high oil prices created difficulties in the way of expanding aid because of domestic economic strains.

Similarly the Bretton Woods institutions (the World Bank and the International Monetary Fund) welcomed this as supplementing their own "meagre" resources. The President of the World Bank, Robert McNamara, in his 1978 Presidential Address acknowledged the growth of private lending ("it is neither surprising nor undesirable that private lending accelerated"). But he also used this as an argument for increasing resources for the Bank in order to create a better "balance" between public and private lending.

The IMF was also happy with the growth of commercial bank lending. The pronouncements of the managing director in those years emphasised the role of the IMF as a "catalyst" for private finance and a "second line of defence," going into action only where private financing seemed to fail.

In fact, in the first years of debt accumulation, say from 1973-75, there seemed little reason to worry. The rise in oil prices was matched by a boom in a number of primary commodities exported by developing countries, holding debt accumulation in check and also increasing "creditworthiness."

The trouble was that this air of satisfaction and confidence was maintained much too long and turned into complacency. Thus again Mr McNamara in his 1977 Presidential Address: "We are even more confident today than we were a year ago that the debt problem is indeed manageable, and need not stand in the way of desirable rates of growth for the developing countries."

High commodity prices were confidently projected into the future and this became an ingrained feature of World Bank/IMF projections, even after the bubble burst with the second big rise in oil prices in 1979, the sharp recession of 1980-82, and the collapse in primary commodity prices.

The projections were systematically too optimistic right up to and beyond the acknowledgment of a "debt crisis" in 1982, when Mexico suspended payments. Similarly, until quite recently the world debt tables published by the World Bank consistently – and consistently wrongly – forecast that total debts were on the point of peaking and would decline in the next five years when in fact they have kept on rising right up to now.

As regularly as clockwork, it was the "low" projections on which many of the policies were based – all this in spite of elaborate models and sophisticated forecasting techniques.

In the field of commodity prices, the over-optimistic forecasts were clearly associated with the distaste shared by the World Bank and IMF for economic doctrines urging developing countries to engage in self-sufficient industrialisation rather than rely on exports of primary products to finance their development. Optimism was also engendered by an ideological belief that private capital flows were good for development and that the involvement of developing countries in the international financial system was to be welcomed.

A related error was the analysis of the debt problem as essentially a liquidity problem rather than a solvency or transfer problem. Keynes had pointed out after the First World War, in connection with the German reparations problems, that debt payments can disrupt the international financial system and impose on the debtor burdens beyond those of mobilising the budgetary resources required for payment of debts or reparations.

Once again the World Bank President, this time in 1978: "The World Bank has followed these developments closely and has concluded that the potential dangers lie not so much in the absolute amounts of debt itself, but rather in a generally burdensome maturity structure and in liquidity problems that will affect a limited number of borrowers."

Thus from an early stage the basis was laid for a policy of dealing with the debt problem by a series of reschedulings and reshuffling of maturities rather than effective measures to tackle the real underlying transfer problems. This policy was abandoned only recently with the Brady Plan – the Baker Plan was a desperate last attempt to cling to the liquidity analysis of the debt problem.

Now the day of reckoning has come. Reality has broken in and the Potemkin world of debt-led growth has collapsed. With the benefit of hindsight we can say that this realisation should have come much earlier. The Bretton Woods institutions today do not like to be reminded of the name of Keynes, even though he was their creator. But Keynes showed tremendous foresight – more so than the Bretton Woods institutions – when he advocated stabilisation of primary commodity prices, pressure on balance of payments surplus countries, a world currency providing liquidity where needed, and firm surveillance and co-ordination of international economic policies.

The author is an emeritus professor of development economics at the University of Sussex

LETTERS

National curriculum for new coherence in teaching

From Angela Rumbold, MP.

Sir, Following the acerbic column by Michael Prowse on our public schools ("An obsolete tradition," October 13), I was disturbed to read Professor Prais's letter of October 16 about the Government's curriculum reforms. This gives a misleading impression of what is happening in our maintained schools. Professor Prais's reasoning is completely contradictory. On the one hand, he seems to dislike the national curriculum. On the other, he wishes to adopt one!

His argument is that to raise standards in our maintained schools we should focus more on "learning outcomes, mastery of agreed syllabuses and on allowing more pupils to be stretched." Yet the national curriculum is designed to do just that. By establishing a national framework of attainment targets, programmes of study and assessment arrangements, it will give a new focus and coherence to teaching in every school. Pupils at all levels will be challenged to achieve their best.

It is nonsense to suggest that the traditional basics are out of fashion. On the contrary, literacy and numeracy are at the very core of the national curriculum, as the published materials for English, maths and science clearly show.

It may interest your readers to know that the independent schools are already looking at the national curriculum very closely since they know that parents will be carefully weighing the benefits offered by both independent and maintained schools, given the choices available in the latter today.

Angela Rumbold
Minister of State,
Department of Education and Science,
Elizabeth House,
York Road, SE1

From Dr Arthur Hearnden.

Sir, Speculation that the independent schools will use the national curriculum assessments as a replacement for Common Entrance ("Independent schools may end Common Entrance, October 13) is without foundation. The new testing programme is, among other things, designed to give a picture of the attainment of 14-year-olds throughout the country. The idea that we in the independent sector should presume to hijack this operation in order to use it for a different age group and for a different purpose is absurd. There is no question of writing the obituary of Common Entrance.

Taking part in the national testing at 14, however, is a quite different matter. It is up to the senior independent schools to make up their own minds whether or not to do so. Most of them already offer a curriculum which encompasses all the elements of the national curriculum and more. It will be to their advantage to join in the assessment at 14, since it will provide a useful marking post to check that they are on the right path to the final stage of the programme, the GCSE. More importantly, no picture of attainment in the national system would be complete without evidence from the independent schools. Contrary to what Michael Prowse implies in his Lombard column ("An obsolete tradition," October 13), there is one system of education of which the independent sector is a part.

To say that "the dim son of an Earl" will not end up in a comprehensive school is a cheap shot which obscures the real nature of the independent sector today. For every dim aristocrat there are thousands of children of parents of modest means who make significant financial sacrifices. Independent schools themselves are increasingly taking steps to ensure wider access. The number of pupils receiving help with fees from their schools has doubled to 63,000 (14 per cent of the total) in just seven years. With the Government's Assisted Places scheme and other sources of support, nearly one independent school pupil in four now receives some financial support. Truly, to use Mr Prowse's own phrase, children from rich and poor backgrounds do rub shoulders in the same classroom.

It is simply untrue to suggest that wealth without ability secures admission to the highly selective schools from which large numbers of pupils go on to Oxbridge. If Mr Prowse is serious in what he says about meritocracy, and wants to see it at work, I will be happy to supply a long list of independent schools which he would be welcome to visit.

Arthur Hearnden,
General Secretary,
Independent Schools Information Service,
56 Buckingham Gate, SW1

The Germanies

From Professor Egon Matzner.

Sir, John Lloyd ("The many roads from socialism," October 14) repeats the view that ideology is *the* reason for the existence of the GDR. This view is wrong in substance and, from a liberal stance, politically dubious. The only reason for the existence of the two German states is the victory of the allied armies over Nazi Germany.

Ideology as *the* reason of existence of the GDR has recently been recently stressed by Herr Reichhold, the director of the SED's (East German Socialist Unity Party) academy. This argument serves to mobilise the ruling class against liberal reforms. It is definitely rejected by the members of the New Forum and other reform groups. It also goes counter to what many of those striving for democracy do not want: to make one German state out of two.

Egon Matzner,
Science Centre Berlin,
Reichpietschufer 50,
D-1000 West Berlin 30

All the news hounds have been crying wolf

From Mr Michael Pearce.

Sir, I find your leader "The boy who cried wolf" (October 17) intensely ironic. It accuses the markets of crying wolf when, in fact, since the close of New York on Friday, the howling has come from the news media. The newspapers and broadcasters were gleefully predicting doom. Yesterday, the day after the market corrected itself, media disappointment was almost palpable.

To accuse the markets of the sin committed by the FT does not absolve the paper and its fellow news media from the part they played in whipping up hysteria. If the events on Wall Street had not happened on a Friday, giving journalists time to let their imaginations run wild, the fall and its correction would have caused little comment.

The "quality" newspapers are the first to condemn the tabloids for their voyeuristic excesses. The orgy in which these same papers have been engaged since Friday is similar in its attempts to titillate and appeal to our less noble emotions.

Michael Pearce,
Church Farm House,
Aldbury,
Tring, Herts.

Getting a grip on British business culture

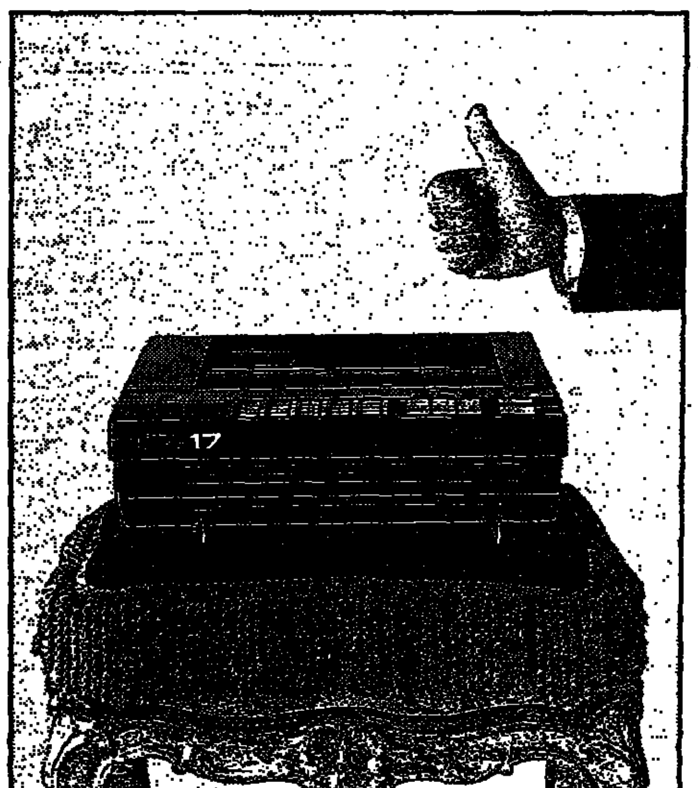
From Sir Charles Villiers.

Sir, Martin Wolf's feature ("Questions over the British miracle," October 14) seems to leave one issue wide open. It shows how, over the last 10 years, earnings in the UK rose by twice as much as in France, Germany and Japan and by much more than double the increase in the US. It shows that in recent years industrial investment in Britain has only been sufficient to cover the disinvestment in the early years of the 1980s. It shows how the gross operating surplus of British manufacturing companies has substantially increased. It establishes that the bulk of the increased income "has accrued not to profits, but to those lucky enough to remain employed, whereupon it was promptly spent."

What remains unexplained is what caused this unfortunate distribution of wages and salaries. Was it the fault of management, the workforce, the unions or Government fiscal policy? If all were to blame to some degree, why? What cultural attitude or habit was at work? In the answer to these questions lies one of the causes of the British disease, which we thought was cured, but which has now returned.

I have worked at and thought about our business culture for years and found it a minefield. Unless we can find a way through, the trouble will continue. All ideas welcome.

Charles Villiers,
Blacknest House,
Sunninghill, Berks.



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FINANCIAL TIMES
Wednesday October 18 1989

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Fears of Fortress Europe resurface in US

Peter Riddell reports on growing anxiety in Washington about EC integration

ONE of the most significant, and under-appreciated, changes in US foreign policy this year has been the Bush Administration's welcome for European integration and the 1992 process. But is the balance about to shift back to greater hostility?

In the past two weeks, several leading members of the Administration have warned strongly about protectionist moves in Europe. As always, Washington speaks with a number of voices, but the following rate quite highly on the decibel count.

Take first, Mr Robert Mosbacher, Commerce Secretary, and seldom noted for his subtlety: "European integration can be a great thing, but I'm very disturbed about signs of protectionism or 'Fortress Europe' that are beginning to appear.

"If they continue to hammer away at local content, as they have done with these guidelines on TV (recommending a non-EC broadcasting content of less than 50 per cent) and semi-conductors, we will have to take a whole new look at it and think about it differently. If they start doing this, we're going to see a reversal from an open market to Fortress Europe, and I think it'd be a bad mistake for them, and it'd be something we'll have to review our attitude about."

Second, Mrs Carla Hills, the US Trade Representative, who was unusually no less blunt in describing the broadcasting directive as "outrageous". The US, she said, "undoubtedly will have to take strong action".

So far, representatives of EC countries in Washington do not regard these warnings as indicating a more general shift in US attitudes.

Instead, they believe the strong language reflects not only the departmental briefs of Mr Mosbacher and Mrs Hills, but also the attitude of the Congressional audience to whom they were talking, and especially the passions aroused by the broadcasting directive.

"There is a gap in understanding across the Atlantic on this issue – which Europeans do not regard as nearly as important as Americans do. Broadcasting is, of course, a much more sizeable industry in the US and has considerable political clout both in the White House and on Capitol Hill. Feelings are running high.

The optimists note that, this issue aside, there are some positive signs. Agreement was reached recently on US steel quotas for EC products, meeting some at least of both sides' short-term goals.

Moreover, after lengthy talks in Brussels and other Community capitals last month, Mrs Hills returned saying she was "much reassured" on several points such as rules of origin and local content.

On broadcasting, the US challenge to the EC directive is going through the General Agreement on Tariffs and Trade procedures without any unilateral US response.

But even in areas claimed as a great success for US-EC consultation, such as the redrafted banking directive, there remain problems.

There has been a shift away from the original reciprocity provisions towards national treatment – that is, from requiring the US to allow EC banks to operate as they would within the Community to having all banks treated similarly in each country.

However, Mr David Mulford, Treasury Under-Secretary responsible for international issues, recently argued that despite these assurances, the US still saw "dangers in the EC concept of reciprocity" in financial services. This is because access to the EC market will still be conditional on the treatment of EC firms in third-country markets.

He maintained that "once this club in the closet is on the books, there will be a temptation to use it, especially given the EC's desire to promote changes in the US financial system."

If used, he added, "this would run the risk of provoking a retaliation action from US authorities".

This warning contrasts with the softer tone adopted by the Federal Reserve.

For instance, Mr Manuel Johnson, the Fed vice-chairman, has said that at present, he does not anticipate any problems of access for US banks into the Community. But like other regulators, he has said the Fed is monitoring the situation closely.

Overall, there has not been a fundamental reassessment of US attitudes towards 1992 – more a reminder that behind the generally supportive statements from Washington lies a considerable wariness.

This can easily edge over into outright hostility on particular issues, given the differing attitudes within the Administration itself on 1992. There remains considerable potential for misunderstanding, though any arguments should be containable.

Mrs Carla Hills, US Trade Representative, said yesterday that US and Japanese negotiators discussing macro-economic differences plan to prepare a "blueprint" for action by March, and move on new measures by next summer, as "down-payment" on future actions, Nancy Dunne reports.

She hoped the bilateral Structural Impediments Initiative would produce a plan, then take "some step which shows resolve". Japan, for example, might agree to increase its Fair Trade Commission budget, or base its public procurement contracts "on price and quality".

Mrs Hills was less specific on what action the US might take to prove its commitment to restructuring. It could also convince Japan and Korea to open their markets by convincing them it was in their interest to do so.

Hills: Voiced Congress's fears of post-1992 protectionism

Editor ordered to resign after Gorbachev slur

By Quentin Peel in Moscow

THE EDITOR of the most popular newspaper in the Soviet Union – the 26m-circulation Argumenti I Fakti – has been ordered to resign under threat of dismissal for printing a story hinting at the personal unpopularity of President Mikhail Gorbachev.

Mr Vladislav Starkov, who has transformed his weekly tabloid from being an exclusive newsletter for Communist Party activists, has been given just two days to quit.

Colleagues said he was summoned to the Kremlin to be carpeted by Mr Vadim Medvedev, the Politburo member responsible for the press and ideology, after a furious attack on his newspaper by Mr Gorbachev last week, they said.

However, journalists at the newspaper said yesterday that he was refusing to resign – and they promised to strike in support of him if he were forced into resigning.

"It is true that he has been told to resign," Mr Alexander Meshchersky, the deputy editor of the newspaper, said last night.

"We can say that he has no intention of doing so. There are different options and they are being discussed now."

The story represents the most serious confrontation yet between the Soviet leader and the ardent proponents of reform in the increasingly outspoken Soviet press.

Leading radical deputies in the Supreme Soviet warned that he is in danger of alienating the country's intelligentsia, hitherto his most loyal supporters.

Mr Gorbachev's criticism is said to have been aimed at the whole "line" of Argumenti i Fakti, although the newspaper has been far less strident in its reformism than other publications such as Moscow News.

However, his particular anger was directed at an opinion poll carried 10 days ago on the popularity of the elected people's deputies – which showed Dr Andrei Sakharov, father figure of Soviet dissidents, to be far the most popular, and failed to mention Mr Gorbachev at all.

Well-informed deputies maintain that Mr Gorbachev's apparent unpopularity among Argumenti i Fakti readers meant that he was deliberately excluded, a message clearly read in the Kremlin.

The extraordinary thing about the confrontation is that Argumenti i Fakti has always been regarded as very well-connected in the Soviet establishment, not least to the KGB.

Mr Mikhail Poltoranin, a leading journalist in the Congress of Deputies, said yesterday that "the basic problem we are faced with is a growing gap between intellectuals and those who initiated perestroika.

"When Mr Gorbachev came up with this idea of perestroika he paid close attention to the intellectuals. Now we see that some intellectuals do not understand what is going on," he said.

However, he did not believe Mr Starkov would be forced to quit, as he certainly would have been under Mr Leonid Brezhnev.

Another leading journalist said that if the confrontation involved Mr Gorbachev alone, he believed the Soviet leader would prove capable of "manoeuvring" out of it.

But if the party apparatus became involved, "the apparatus can provoke Gorbachev by showing him material to make him even angrier."

Commonwealth agrees to delay sanctions

By Robert Mauthner and Roger Matthews in Kuala Lumpur

COMMONWEALTH leaders were agreed on the eve of their biennial summit here that they would not press for new sanctions against South Africa for the moment.

But all the Commonwealth heads of government, with the exception of Mrs Margaret Thatcher, the British Prime Minister, believe that pressure on South Africa to dismantle apartheid must be kept up by maintaining the threat of sanctions in reserve.

A committee of eight foreign ministers, set up without the participation of Britain two years ago to make a study of sanctions, is expected to table a proposal which would give Pretoria a "breathing space" of several months before any further measures against it were decided.

The proposal, which was backed by the Rev Allan Boesak, the South African Methodist Church leader, would allow Mr F.W. De Klerk, the South African President, some time to prove that he was serious about the reforms which he has foreshadowed.

However, Mrs Thatcher has already let it be known that she would not accept any deadlines for the implementation of sanctions, which she continues to oppose on principle.

Mrs Thatcher, who will introduce the first conference session on the international situation today, feels strongly that events in South Africa, Namibia and Angola are moving in the right direction and that the outside world should encourage Mr de Klerk in his efforts to reform South Africa's white-dominated society.

Despite these differences, most leaders do not want to see a repetition of the acrimonious debates on sanctions which characterised the last two Commonwealth summits in Vancouver and Nassau.

An issue likely to take up much more time than originally expected is the election of a successor to the outgoing Commonwealth Secretary-General, Sir Shridath (Sonny) Ramphal.

On the eve of the conference, it was still not clear which of the two candidates who are running for the office, Chief Emeka Anyaoku of Nigeria, the present Deputy Secretary-General, and Mr Malcolm Fraser, a former Australian Prime Minister, would win majority support.

Editorial comment, Page 18

Questions begin in German stockmarket

Continued from Page 1

"It was a very untransparent market," said a dealer at one of Frankfurt's big commercial banks. "There was no price for Volkswagen, for instance, for a long time."

Another factor that contributed to Monday's slump was the short trading day. Normally the market closes at 1.30pm: on Monday trading was extended to 2.45pm, but even this did not allow the private investors who were active in the market to take account of the rally on Wall Street later in the day. Only big investors were able to bid up German shares in after-hours dealing as the better news from New York came in.

Dealers also criticised the large banks for not ensuring that their investment advisers in the branches had a clear message to give to panicking private shareholders.

"The major German banks should have talked to their sales people and told them of the strategy for the day, so that they could discuss the situation with clients wanting to sell," said Mr Hans-Peter Wodniok, head of German research at UK stockbroker James Capel in Frankfurt. "There were statements by leading bankers, but they came too late."

Because markets are dominated by the big banks there is also an absence of the sort of independent advice, perhaps against the prevailing trend, offered by stockbrokers in other countries.

For the second time in two years, the private investors have moved the wrong way in dramatic fashion. Back in October 1987 they bought right after the crash only to see share values slide dramatically several months later. Gradually, prices picked up, so that the DAX was 24 per cent higher in early September than at the end of last year,

This time, it appears they sold too early, though it will take time to see if this judgment is borne out by market developments. In the big banks' defence, it must be said that they encouraged investors to hang on two years ago and so may have felt it prudent to refrain from overly strong advice this time round.

In the end, it was psychology that triumphed over the fundamentals on Monday. Those institutions that had stayed on the sidelines took the chance yesterday to buy at rates much reduced from last week.

But the German market has been shown to be vulnerable. Yesterday's recovery followed an after-hours improvement on Monday when Wall Street picked up, but many smaller investors will feel badly burned. "Volatility hurts the market. We shall need more days to explain why this happened," said Mr von Rosen. "It doesn't help to increase trust in the stock market system."

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	[illegible]	[illegible]	[illegible]	Dubrovnik	[illegible]	[illegible]	[illegible]	Malta	[illegible]	[illegible]	[illegible]	Rhodes	[illegible]	[illegible]	[illegible]
Algiers	[illegible]	[illegible]	[illegible]	Edinburgh	[illegible]	[illegible]	[illegible]	Manchester	[illegible]	[illegible]	[illegible]	Rio de Jo	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	Faro	[illegible]	[illegible]	[illegible]	Manila	[illegible]	[illegible]	[illegible]	Rome	[illegible]	[illegible]	[illegible]
Athens	[illegible]	[illegible]	[illegible]	Florence	[illegible]	[illegible]	[illegible]	Melbourne	[illegible]	[illegible]	[illegible]	Salzburg	[illegible]	[illegible]	[illegible]
Bahrain	[illegible]	[illegible]	[illegible]	Frankfurt	[illegible]	[illegible]	[illegible]	Mexico City	[illegible]	[illegible]	[illegible]	San Francisco	[illegible]	[illegible]	[illegible]
Bangkok	[illegible]	[illegible]	[illegible]	Funchal	[illegible]	[illegible]	[illegible]	Miami	[illegible]	[illegible]	[illegible]	Seoul	[illegible]	[illegible]	[illegible]
Barcelona	[illegible]	[illegible]	[illegible]	Geneva	[illegible]	[illegible]	[illegible]	Milan	[illegible]	[illegible]	[illegible]	Singapore	[illegible]	[illegible]	[illegible]
Beirut	[illegible]	[illegible]	[illegible]	Gibraltar	[illegible]	[illegible]	[illegible]	Montreal	[illegible]	[illegible]	[illegible]	Stockholm	[illegible]	[illegible]	[illegible]
Belfast	[illegible]	[illegible]	[illegible]	Glasgow	[illegible]	[illegible]	[illegible]	Moscow	[illegible]	[illegible]	[illegible]	Strasbourg	[illegible]	[illegible]	[illegible]
Belgrade	[illegible]	[illegible]	[illegible]	Guernsey	[illegible]	[illegible]	[illegible]	Munich	[illegible]	[illegible]	[illegible]	Sydney	[illegible]	[illegible]	[illegible]
Berlin	[illegible]	[illegible]	[illegible]	Helsinki	[illegible]	[illegible]	[illegible]	Nairobi	[illegible]	[illegible]	[illegible]	Tangier	[illegible]	[illegible]	[illegible]
Biarritz	[illegible]	[illegible]	[illegible]	H. Kong	[illegible]	[illegible]	[illegible]	Naples	[illegible]	[illegible]	[illegible]	Tel Aviv	[illegible]	[illegible]	[illegible]
Bombay	[illegible]	[illegible]	[illegible]	Innsbruck	[illegible]	[illegible]	[illegible]	Nassau	[illegible]	[illegible]	[illegible]	Tenerife	[illegible]	[illegible]	[illegible]
Bordeaux	[illegible]	[illegible]	[illegible]	Inverness	[illegible]	[illegible]	[illegible]	New Delhi	[illegible]	[illegible]	[illegible]	Tokyo	[illegible]	[illegible]	[illegible]
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Budapest	[illegible]	[illegible]	[illegible]	Istanbul	[illegible]	[illegible]	[illegible]	Nice	[illegible]	[illegible]	[illegible]	Tunis	[illegible]	[illegible]	[illegible]
B. Aires	[illegible]	[illegible]	[illegible]	Jersey	[illegible]	[illegible]	[illegible]	Nicosia	[illegible]	[illegible]	[illegible]	Valencia	[illegible]	[illegible]	[illegible]
Cairo	[illegible]	[illegible]	[illegible]	Jo'burg	[illegible]	[illegible]	[illegible]	Oporto	[illegible]	[illegible]	[illegible]	Venice	[illegible]	[illegible]	[illegible]
Cape Town	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Oslo	[illegible]	[illegible]	[illegible]	Vienna	[illegible]	[illegible]	[illegible]
Caracas	[illegible]	[illegible]	[illegible]	Lisbon	[illegible]	[illegible]	[illegible]	Paris	[illegible]	[illegible]	[illegible]	Warsaw	[illegible]	[illegible]	[illegible]
Chicago	[illegible]	[illegible]	[illegible]	London	[illegible]	[illegible]	[illegible]	Peking	[illegible]	[illegible]	[illegible]	Washington	[illegible]	[illegible]	[illegible]
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Corfu	[illegible]	[illegible]	[illegible]	Madrid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				
Delhi	[illegible]	[illegible]	[illegible]	Majorca	[illegible]	[illegible]	[illegible]								
Dublin	[illegible]	[illegible]	[illegible]	Malaga	[illegible]	[illegible]	[illegible]								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US deficit rises sharply

Continued from Page 1

same period in 1988.

Events in the motor industry may be responsible for much of the break in the import trend. All the main Japanese car makers are engaged in rapid expansion of their US assembly operations, leading to a surge in imports of capital equipment and vehicle parts, while both Toyota and Nissan have just launched new luxury cars. They have been stocking their dealerships with high-priced new models on top of their normal import flows, slowing the falling trend in imports of complete cars.

The export trend was depressed by a combined fall of $400m in two erratic categories, aircraft and gold bullion, more than offsetting a 1.2 per cent increase in all other export categories during the month.

Export demand remains one of the main sources of support for US industrial output, which fell by 0.1 per cent in September, according to the Federal Reserve Board.

Thatcher's economic aide enters EC debate

By Simon Holberton in London

SIR Alan Walters, personal adviser on economics to British Prime Minister Margaret Thatcher, has entered the debate over the country's role in Europe and given guarded support to European Monetary Union and a common European currency.

Sir Alan says he is not opposed to the development of a European currency administered by a European central bank but says that this would need to be preceded by "absolutely fixed exchange rates and appropriate monetary institutions to support that fixity."

His views are contained in a biographical essay to be published by The American Economist, the US journal. The essay gives a rare glimpse of a man at the centre of economic policy-making in Britain, one who is often heard about but rarely heard from.

Sir Alan remains, however, implacably opposed to Britain's full membership of the European Monetary System. Arguments for British membership "have never attained even a minimum level of plausibility" and the EMS remains "half-baked", he says.

Official British policy envisages eventual membership of the EMS but is hostile towards economic and monetary union, or at least the version of EMU as delineated in the eponymous report of Mr Jacques Delors, President of the European Commission, earlier this year.

Mr Nigel Lawson, Britain's Chancellor of the Exchequer, who tomorrow goes to the City of London for his annual Mansion House speech, has proposed an "alternative" route to EMU through the removal of barriers to using and transacting business in any European Community currency. This concept, known as "competing currencies," is the subject of a recently completed British Treasury draft paper, which has yet to be circulated to EC finance ministers.

Sir Alan gives a warm and human account of his early life and academic career, presenting himself as a man of humble origins and attributing much of his life's success "to one lucky break after another.".

Although in the article Sir Alan displays an engaging self-deprecatory sense of humour, he leaves the reader in little doubt as to his importance in British economic policy-making in the early Thatcher years. "I acquired a considerable influence on economic policy," he says.

He takes credit for proposing the content of Government's 1981 national budget and winning the Mrs Thatcher's support for a cut in the budget deficit equal to 2.5 per cent of gross domestic product – the biggest peacetime budgetary squeeze. This, he says, laid the foundation for the nation's economic success in the 1980s.

"I acquired a considerable reputation at the Treasury and the Bank of England and I received their full co-operation over the next three years. We managed to produce a fairly stable monetary policy."

THE LEX COLUMN

Living on Wall Street's nerves

To a quite ludicrous extent, the London market has become Wall Street's poodle. The sharpest drop yesterday came on publication of poor US trade figures at lunchtime, on the assumption that Wall Street would be upset when it opened. In the event, the chief problem lay in establishing where Wall Street actually was: after plunging early on, the Dow at one point appeared to recover 30 points almost instantaneously.

At the back of all that was UAL, which has achieved a symbolic status out of all proportion to its size. Citicorp said yesterday it could do the deal if it wanted to: Dai Ichi Kangyo said it might come in if the terms were less risky. Each announcement was scrutinised as if the fate of the whole US mergers and acquisitions movement hung in the balance, with London twitching responsively in the background.

If this means anything, it can only be that the markets in both New York and London gave up valuing equities on their own behalf some while back and settled for corporate-sector valuations instead. If the corporate sector no longer has the financial backing to put its valuations into practice through takeover, the market no longer has a yardstick. But on the evidence of the past few days, it suspects that its own valuation of equities lies a good deal lower.

This is not wholly illogical at the tail end of a long cyclical upswing. But even before Friday's Wall Street collapse, London was in a quite abnormal state of nervous excitement. This week may prove less climactic than two years ago; in its own way it is turning out quite as unusual.

UAL/BA

It may have been welcome news for British Airways shareholders that Mr Stephen Wolf's bid for UAL collapsed when pitched at $300 per share. It was a price at the top end of what sane people would pay even for a member of the new US air transport oligopoly. But that consolation aside, yesterday's crossfire of conflicting surmise about the bid's ultimate fate has only deepened disquiet at the importance a bid for a single US airline has now assumed.

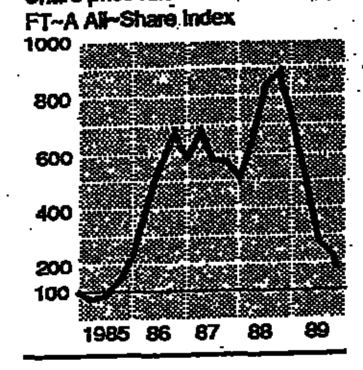
Yesterday's 12 per cent drop in UAL's share price to $197 says two things: that Wall Street believes that a new bid, if any, will come in a long way below $300; and that it is also now sceptical that the banks will countenance any bid at all. But the prevailing mood is painful bewilderment about just what is going on.

One problem is the attitude of the wild card, UAL's other suitor Mr Marvin Davis. By marking UAL down so heavily, Wall Street is implying that he is no more serious as a bidder for UAL than Mr Donald Trump was for American Airlines; but his intentions are far from clear. The other problem is the perplexity over just what UAL is worth anyway. UAL's investment banker, First Boston, has put its maximum liquidation value at $303 per share, but its analysis shows a bewildering range of possible prices from $225 upwards.

Much of the uncertainty also results from vague and contradictory statements emanating from Citicorp. One sympathises with UAL's machinists' union description of their managers as greedy and irresponsible. Perhaps the epithets apply to some of the bankers too.

Amstrad

Share price relative to the FT-A All-Share Index



Amstrad

Alan Sugar does not like the rating that the market accords to his company; chairman often don't. But one wonders how investors are supposed to view a company whose profits halved last year and are likely to halve again this time; whose inventories are valued at more than half of sales; whose cash positive position has turned into £100m of borrowings; and whose key market, the UK, is hit by slumping consumer demand. Mr Sugar's reaction – to say that he does not intend to chase profits – is not the ideal way of adding points to the p/e ratio.

If Amstrad is going to shift the £325m of stock it held at the year end, margins are going to suffer. The company's customers will be able to deduce the weakness of Amstrad's position and drive some hard bargains. After all, the new PC 2000s, which represent nearly half the inventory levels, will have to be sold into a highly competitive business user market. And until the boxes are shifted, Mr Sugar will not have the cash to implement his threat to buy in part of the company's equity, so his plans will bring limited support to the share price.

Such reasoning may seem pretty short-termist to Amstrad, which undoubtedly has an impressive profits record. Long term, the management has been strengthened and Mr Sugar may yet prove he has not lost his old marketing knack by producing a winner in fax machines or even satellite dishes. But a prospective p/e of 10, assuming profits of £35m to £40m, hardly seems mean considering the risks.

Maxwell

The Maxwell Communications' plan to raise $200m by floating off 45 per cent of Berlitz is open to two interpretations: as a means of relieving pressure from higher interest rates, or as a reminder of the underlying value of the group's US assets. It may be time to give Mr Maxwell the benefit of the doubt. It should be recalled that before the bid rumours started, Macmillan was on 17 times earnings, or about twice MCC's rating now. Berlitz's record – compound profits growth of 28 per cent since 1984 – is not untypical of the quality of MCC's new assets.

The process of partial unbundling is evidently not yet complete. Berlitz's flotation, if it goes to plan, should value the whole business at between $400m and $500m. The flotation of the educational publishing joint venture with McGraw Hill, due next year, will be worth much more again. The flotation of OAG is further hinted at. MCC's shares have recovered fairly strongly in the past three months; if there are no more unexpected forays of the kind Mr Maxwell has made his own, there seems no reason why the rating should not rise to a level more appropriate to a US publisher. This is particularly true if Mr Maxwell is to give way gradually to his son Kevin, whose qualities may be more congenial to the professional fund manager than the mercurial genius of the founder.

VOLATILE STOCKMARKETS IN PERSPECTIVE

A Statement From Fidelity.

Stockmarket volatility is a fact of life for investors today. The size of institutional cashflows, computerised trading, increased use of derivative instruments and the globalisation of equity markets are just some of the reasons behind the intensified volatility.

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SECTION III

FINANCIAL TIMES SURVEY

The West Midlands economy is looking in better health than at any time in the past decade. The region's physical fabric is changing as it shrugs off the after-effects of recession and begins to take on a new shape. As Richard Tomkins reports, it is not before time

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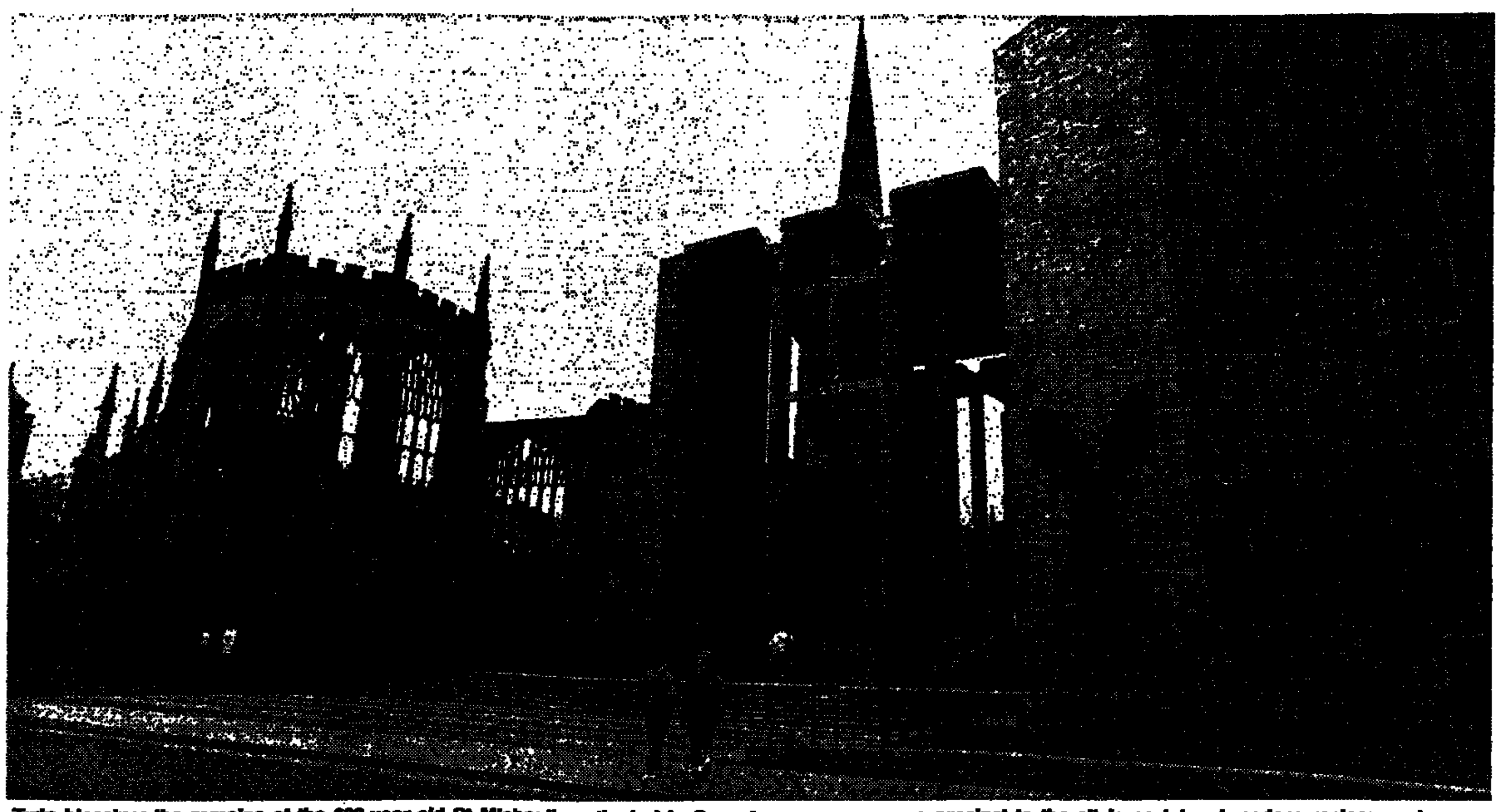


Twin blessing: the remains of the 600-year-old St Michael's cathedral in Coventry now serve as a precinct to the city's acclaimed modern replacement

West Midlands

A new show well under way

BATMAN was playing at a cinema in Walsall, West Midlands, the other day.

Nothing unusual about that: except that, on the same day, that same cinema was showing The Iron Triangle, Lethal Weapon 2, Indiana Jones and the Last Crusade, Dead Poets Society, Three Fugitives, Dirty Rotten Scoundrels, The Karate Kid III, Lenny Live and Unleashed, The Fly II, Erik the Viking, and See No Evil, Hear No Evil.

No, not a local film festival: National Amusements, the US entertainment group, last month opened a 12-screen Showcase cinema — only its fourth in Britain — on a prominent site in the town, next to junction 10 on the M6.

Mr Ira Korff, National Amusements' chief executive, says the decision to put the cinema there had little to do with the West Midlands' reviving prosperity, its workers' increased leisure time, or any growing thirst in the region for arts and entertainment.

"That particular site was attractive to me because it was on the M6 and right by a junction," he says. "It was also in an area that was manageable in terms of the prices for land, and there was a large population that was not being served by a first-class luxury multiplex."

Yet the cinema, however inadvertently, serves as a highly-visible symbol of much that is happening in the West Midlands.

Take the site. Derelict for so long that few can remember what it was ever used for, it has been brought back into use not for the manufacturing industry it once served, but for a buoyant service sector — a pattern being repeated throughout the region's old-established industrial areas.

In Dudley, for example, on the 200-acre site of the Round Oak steelworks which closed with the loss of 1,300 jobs in 1982, the Richardson twins — a pair of canny Black Country developers — are embarking on the final phase of the Merry Hill complex, a shopping and leisure complex so large that it has its own monorail system.

Earlier this year, Triplex Lloyd, the foundries and engineering group, signed up Ikea, the Swedish furniture retailer, as the flagship store for a mixed redevelopment of the 69-acre site near junction 9 of the M6 where Europe's biggest steel foundry, F.H. Lloyd's, once stood.

Nearby, Speyhawk and Alton Group have won planning permission to build Sandwell 2000, a shopping and leisure development claimed to be Britain's biggest yet, on the 120-acre site of yet another long-lost steelworks, Patent Shaft.

In Birmingham city centre, meanwhile, the horizon bristles with the cranes of building contractors working on £1.5bn worth of construction projects tied to the service sector — partly hotels being built to serve the city's International Convention Centre, opening the year after next, and partly offices to house the region's booming financial services industry.

Day by day, the physical fabric of the West Midlands is changing as the region shrugs off the after-effects of recession and begins to take on a new shape. It is not before time: for the West Midlands has lived with decline so long that it is sometimes hard to remember what pre-dated it.

The seeds of that decline were sown when complacency took root in the region's factories during the post-war boom of the 1950s and 1960s. Trade unions demanded, and obtained, higher pay, higher manning levels and more restrictive practices, while managements failed to invest in the plant and equipment necessary to counter increasing competitive pressures from overseas.

By the 1970s, West Midlands industry was already in bad health, and it was in no state to resist the onset of recession in 1979. In the two years of 1979 and 1980 alone, some 250,000 jobs were lost as factory after factory closed down.

Perhaps even more damaging than this initial shock was the lingering depression that followed. A legacy of extensive industrial dereliction and high unemployment stigmatised the West Midlands as a region of chronic industrial decline, so discouraging the very investment necessary to lift it out of its misery.

Public sector initiatives — notably, the grant of assisted area status to the region's older industrial areas in 1984 and the creation of the Black Country Development Corporation in 1987 — helped break the circle. But more significant still was Britain's strong economic growth in 1987 and 1988, which brought a surge in profits for the companies that had survived the recession.

Rising productivity has meant that only a small proportion of the manufacturing jobs lost in the recession have been won back. But growing regional prosperity has brought a surge of investment in the services sector — nowhere more obviously than in Birmingham city centre and in those high-profile developments taking place in the Black Country. Service sector employment grew by an estimated 238,000 jobs between 1983 and 1987.

But manufacturing industry, too, is investing. One potent symbol of its regeneration is to be found in Darlaston, near Walsall, where US-born Mr Tim Kelleher, with his company Verson International, is converting a vast factory once owned by Wellman Cranes into a plant for making power presses.

Today, the West Midlands economy is looking in better health than at any time in the past 10 years. In a recent survey of local industry, the Birmingham office of accountants Coopers & Lybrand found that more than 60 per cent of companies had increased investment and turnover in real terms by more than 15 per cent since 1982.

Some of the giants of industry may have disappeared from the West Midlands map, but others — Rover, GKN, Lucas, IMI — are enjoying renewed prosperity. Meanwhile, business formation has increased, with a net addition of 17,000 new companies (mainly in the service sector) between 1980 and 1987 — the third highest of any UK region.

The rise of the small business, combined with an improving balance between the manufacturing and service sectors, has also given the economy a more diversified base than the one that left it so vulnerable to the last recession.

Yet the battle is far from won. Severe unemployment problems still rack the inner city areas of the industrial conurbation. The Association of District Councils reported earlier this month that more pre-1919 houses lacked basic amenities or were in urgent need of repair in the West Midlands than anywhere else in Britain. Large swathes of industrial dereliction persist alongside a desperate shortage of quality development land.

Meanwhile, high interest rates are beginning to test the resilience of the region's industrial recovery. Companies such as Lucas and IMI may have prospered through diversification, but that diversification has been brought about through acquisitions outside the region and overseas. The West Midlands itself remains heavily exposed to traditional manufacturing industry — in particular, the automotive industry.

Many West Midland companies have so far been insulated from the widespread downturn in consumer demand by the gravity-defying sales of motor cars. But even before the latest rise in interest rates, there had been signs that the squeeze was beginning to hurt.

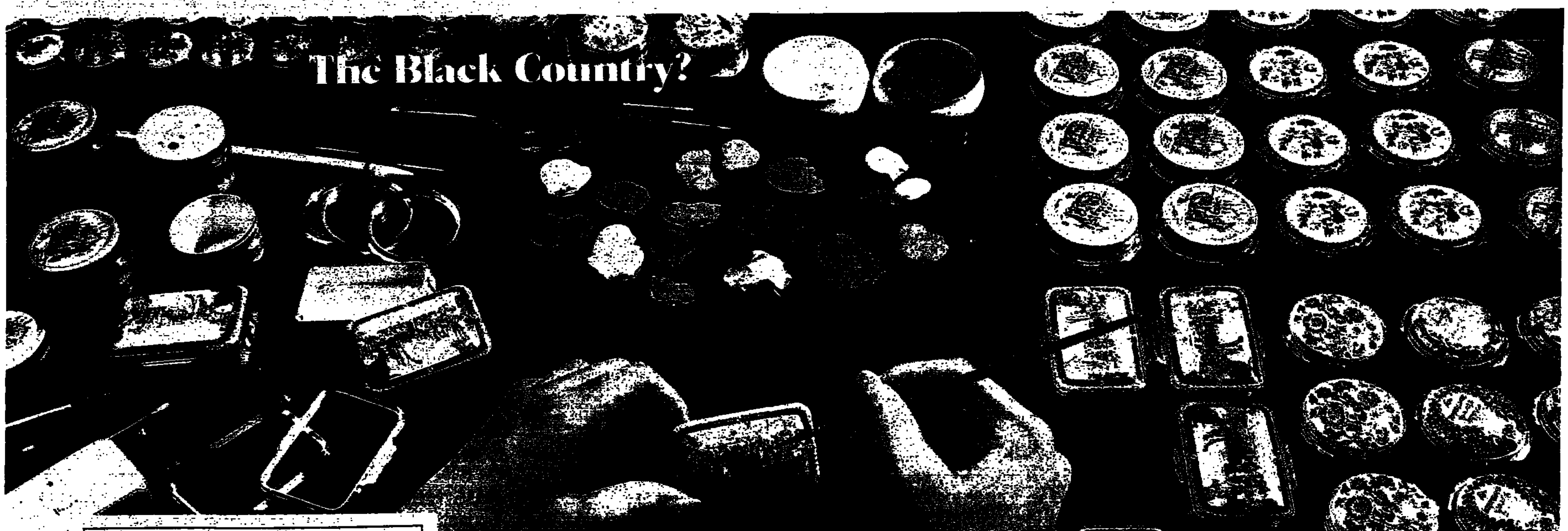
A survey of business confidence just published by the West Midlands Regional Group of Chambers of Commerce showed that the proportion of manufacturing companies increasing their workforce over the past three months — 21 per cent — was exactly matched by the proportion making a reduction. A year ago, 43 per cent were increasing employment and only 12 per cent were making cuts.

Looking ahead, the survey found the proportion expecting profitability to improve — 31 per cent — was exactly matched by the proportion expecting it to worsen. A year ago, 46 per cent were looking for an improvement and only 14 per cent expected a downturn.

There are other ominous signs. West Midlands industry is characterised by countless jobbing component manufacturers who have prospered by doing work for larger companies stretched beyond capacity. With demand now slackening, and the pressure on capacity easing, these larger companies are beginning to take the work back in-house. Birmingham Mint and Wagon Industrial are two component manufacturers who have already had to inflict redundancies as a result.

Warning noises are also coming from the financial community, where there is talk of stock market flotations being abandoned and investment plans delayed. The senior partner of one big accountancy firm tells how his colleagues in the insolvency department have been licking their lips recently. He may be joking, but behind the smile lies genuine concern.

It would be foolhardy to suppose that the West Midlands is about to be plunged into another recession on the scale of the early 1980s, but the local economy still looks highly vulnerable to downswings in industrial demand. All eyes, therefore, are on the national economy: a hard landing could provide a rude interruption to progress along the road to recovery.



For a region renowned for its metal treatment and handling skills, the Black Country's industry can be an eye-opener.

When TI Apollo were planning an export drive for their top quality golf shafts for export, it was the highly skilled local workforce that helped to swing it.

There's a thoroughbred line of hand-made wooden rocking-horses which are trotted out at a craft workshop in Cotwall End.

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Richard Tomkins on the need to bridge the increasing economic gap in the region

A north-south divide in its own backyard

IF THERE is a north-south divide in Britain – a line separating the prosperous south from the deprived north – the recession of the early 1980s placed the West Midlands firmly to the north of it.

During the worst of the recession, between 1979 and 1982, the West Midlands suffered by far the sharpest fall in gross domestic product of all UK regions. As manufacturing output fell by a quarter, some 299,000 jobs disappeared from the local economy, a pace of job losses only narrowly surpassed in the north and north-west.

Recovery, however, shifted the West Midlands southwards again. Between 1983 and 1988, as the decline in manufacturing industry was reversed and the service sector grew, some 248,000 jobs were won back. The pace of employment growth was the third fastest of all UK regions, unemployment fell the second fastest, and per capita gross domestic product grew just above the national average.

The net effect of these violent swings in the region's fortunes has been to leave the West Midlands, metaphorically as well as geographically, back where it started: roughly straddling the divide. But on which side will it find itself next?

The consensus from most who have studied the region's economy – including Cambridge Econometrics, the West Midlands Enterprise Board, and accountants Coopers & Lybrand – is that the West Midlands is heading for the prosperous south. But this verdict is laden with caveats.

On the plus side, the region's traditional manufacturing industries, particularly the automotive industry, have enjoyed something of a boom amid strong domestic demand.

The region's current prosperity has little to do with any changes in the structure of the regional economy. It has much more to do with the favourable effects of national economic conditions

This economic buoyancy has fed through into the service sector, so going some way to rectify the region's severe under-representation in service employment.

The latest figures show that services now provide some 59 per cent of jobs in the region, compared with 48 per cent before the recession and 69 per cent nationally.

Meanwhile, a combination of the West Midlands' increased wage cost competitiveness and the region's strategic location at the heart of Britain's motorway network has encouraged inward investment from overseas and the adjacent south-east.

Both trends are expected to continue: the West Midlands Industrial Development Association says the region's share of inward investment projects from overseas has grown to 22 per cent, more than any other region's, while service sector employment in particular continues to move northwards up the motorways.

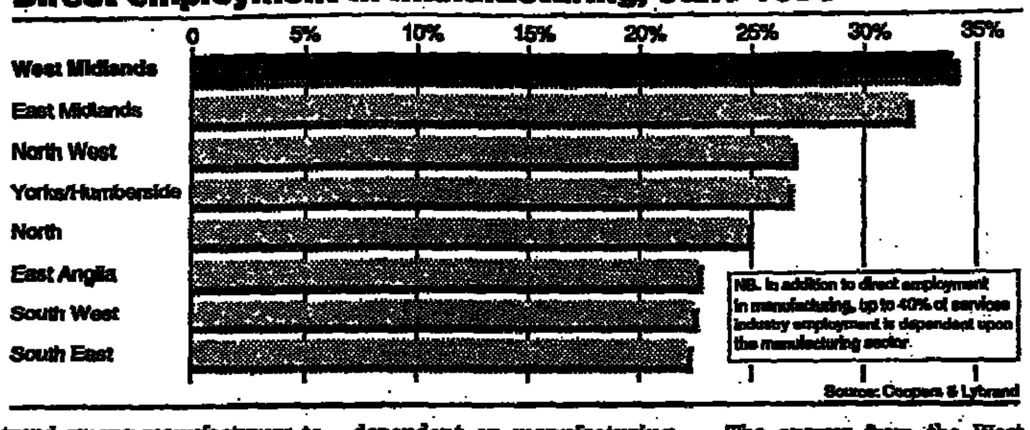
Yet the West Midlands' current prosperity has little to do with any intrinsic changes in the structure of the regional economy. It has much more to do with the favourable effects of national economic conditions on a region still heavily dominated by its traditional metal goods, automotive and engineering industries.

The West Midlands Enterprise Board is therefore not alone in casting doubts on the durability of the recovery, pointing out that of the 28 per cent estimated real increase in West Midlands GDP between 1981 and 1988, almost half took place in the last two years of exceptionally strong national economic growth.

Disturbingly, too, the growth in West Midlands service sector employment is in some respects illusory. Much of it simply represents the recent trend among manufacturers to contract out catering, cleaning, distribution and financial services, so that people doing those jobs are now counted as working for service sector employers rather than for manufacturers. The jobs themselves remain the same.

The result is that a region already disproportionately dependent on manufacturing industry is made the more so by the fact that an estimated 30 per cent of the jobs in its newly-expanded service sector are in producer service industries. Consequently, the West Midlands looks peculiarly vulnerable to the slow-down now being experienced in UK economic growth.

Direct employment in manufacturing, June 1988



Source: Coopers & Lybrand

The answer from the West Midlands is: "We don't see any signs of it yet." And it would be wrong to paint too bleak a picture: the economists are talking more about a slowdown in the pace of growth than an actual downturn.

According to Cambridge Econometrics, the outlook for the West Midlands to 2000 is one of stable overall employment. There will be a slight decline in employment to 1990, then stability until 1995, then slow growth to the turn of the century.

Within these totals, Cambridge Econometrics says, manufacturing will continue to shed jobs in the pursuit of increased productivity. Meanwhile, the rapid growth of employment in the service sector will slow down, but with the help of job increases in the construction industry, it will provide enough new employment to outweigh the manufacturing losses.

Weighing up all the key indicators of the region's economy, Cambridge Econometrics detects a convergence with the national average. It concludes that the West Midlands is taking on the characteristics of southern, rather northern, Britain.

But there is one more caveat that has to be made before reaching this optimistic conclusion. It is that the key feature of the regional economy in the period to 2000 is likely to be a further divergence between the sub-regions of the West Midlands.

During the recession, it was the West Midlands metropolitan conurbation that suffered most from the contraction in manufacturing, while the shire counties of the region were relatively unscathed.

In the aftermath, amid the continuing haemorrhage of jobs from manufacturing, male unemployment rates of 30 per cent are still not unusual in the inner city areas of the West Midlands. Meanwhile, many of the new jobs in high technology industries and the service sector go to the fringes of the metropolitan county and the shires.

The result is that Warwickshire, for example, with its business parks, expensive housing and virtually full employment, has as little in common with the Black Country nowadays as Buckinghamshire does with the north.

Increasingly, then, the West Midlands is finding that it has a north-south divide of its own: and one of the biggest challenges lying ahead is to bridge it.

MOTOR INDUSTRY

Period of turbulence engineered by a wave of inward investment

THE world motor industry is undergoing one of the most turbulent periods in its history: and the West Midlands, home to the bulk of the UK industry, is feeling the waves.

If any proof of that were needed, it came four weeks ago when Ford declared its intention to take a stake in Jaguar. In doing so, it was sizing up a company that is not only Britain's last wholly independent car maker of any size, but also one of the West Midlands' biggest employers.

The realignments taking place in the world motor industry are of immense significance to the West Midlands because the future of the local economy, more than anywhere else in Britain, hangs so decisively upon the outcome.

Some 46,000 people are directly employed by the big West Midland car manufacturers. Rover has 17,000 employees at Longbridge and Drews Lane; Jaguar has 12,000 at Browns Lane, Radford and Castle Bromwich; Land Rover has 9,000 at Solihull; and Peugeot has 8,000 at Ryton. But that is just the tip of the employment iceberg.

For every one person directly employed by a West Midland car manufacturer, there are probably three employed by the region's countless motor component suppliers: some of them working in small factories with a couple of dozen employees, and others for giants such as GKN and Lucas.

The background to the present turbulence in the world motor industry is its transition from an essentially national industry with a plethora of local manufacturers into a global industry dominated by a small number of multinationals.

At one stage, during the depths of recession at the beginning of the 1980s, it was questionable whether Britain's car industry had a long-term future in the face of increasing competition from its more powerful overseas rivals.

But recently the outlook has been transformed. First, by the revival in domestic manufacture prompted by four years of record UK car sales, and second, by the Japanese manufacturers' decision to use Britain as the launch-pad for their assault on the European car market.

Helped by rising productivity, relatively low wage rates and improvements in quality, Britain has suddenly become a favoured location for car manufacturing.

Domestic output, which sank below 1m units a year in the recession, is now widely predicted to rise from last year's 1.23m vehicles to 2m a year by the mid-1990s.

Against this background, the West Midlands industry has seen a remarkable turnabout. Increasing demand has prompted Rover to take on about 1,000 more employees at Longbridge over the past year. Peugeot's Ryton plant is bursting at the seams, and an announcement is expected soon on expansion plans.

Jaguar, true, is in the doldrums because of poor US sales, but Ford is not the only company whose interest has been aroused by its inherent strengths. Land Rover, meanwhile, has just redoubled its efforts to fight Japanese competition with the Discovery, its first new model launch since the Range Rover in 1970.

But the West Midlands cannot view the outlook with unalloyed delight. The larger portion of future increases in UK output will be coming from Japanese plants outside the region: from Nissan's plant in Sunderland in the north-east, from the Toyota plant to be built at Burnaston in Derbyshire, and from the Honda plant to be built at Swindon in Wiltshire.

Although these Japanese newcomers may not pose an immediate threat to volume car production in the West Midlands, it would be optimistic to suppose that the resultant extra capacity in the European car market will have no long-term impact on indigenous volume car manufacturers such as Rover and Peugeot.

Nor can Land Rover and Jaguar, the West Midlands' two specialist vehicle manufacturers, afford to rest on their laurels. Land Rover has already suffered from Japan's heavy inroads into the market for four-wheel-drive vehicles: now Jaguar, whatever its future ownership, is about to feel the effects of Toyota and Nissan's long-awaited assault on the world luxury car market.

The wave of inward investment by Japanese car makers, however, is not viewed with dismay in the West Midlands. Many see it more as an opportunity than a threat because all three Japanese manufacturers have committed themselves to local content levels of at least 80 per cent at their UK plants.

Yet it is already becoming clear that West Midland component manufacturers will not have the Japanese market to themselves. Just as the multinational car manufacturers have identified Britain as an attractive location for their plants, so, too, are the multinational component suppliers following suit.

Robert Bosch of West Germany, for example – one of Europe's biggest component suppliers – earlier this year decided to invest £100m in setting up a UK manufacturing plant in South Wales. Shortly afterwards, Calsonic, the Japanese components group which is an associate of Nissan, took over Llanelli Radiators in South Wales, saying the acquisition would be the foundation for its expansion in Europe.

Other examples are legion. Several Japanese manufacturers have formed joint ventures with UK component manufacturers to supply Nissan's Sunderland plant. Valeo, the French components group, has taken over Delanair, one of Llanelli's main competitors. Monroe Auto Equipment of the US has taken over Armstrong Equipment's shock absorber division. Nippon-Seiki of Japan has set up a greenfield plant in Redditch making dashboard instruments.

Over in Derbyshire, meanwhile, Councillor David Bookbinder, leader of Derbyshire County Council, believes another 20 Japanese companies are poised to follow Toyota to the county – many of them Toyota affiliates planning to set up on vacant land adjacent to the car plant site.

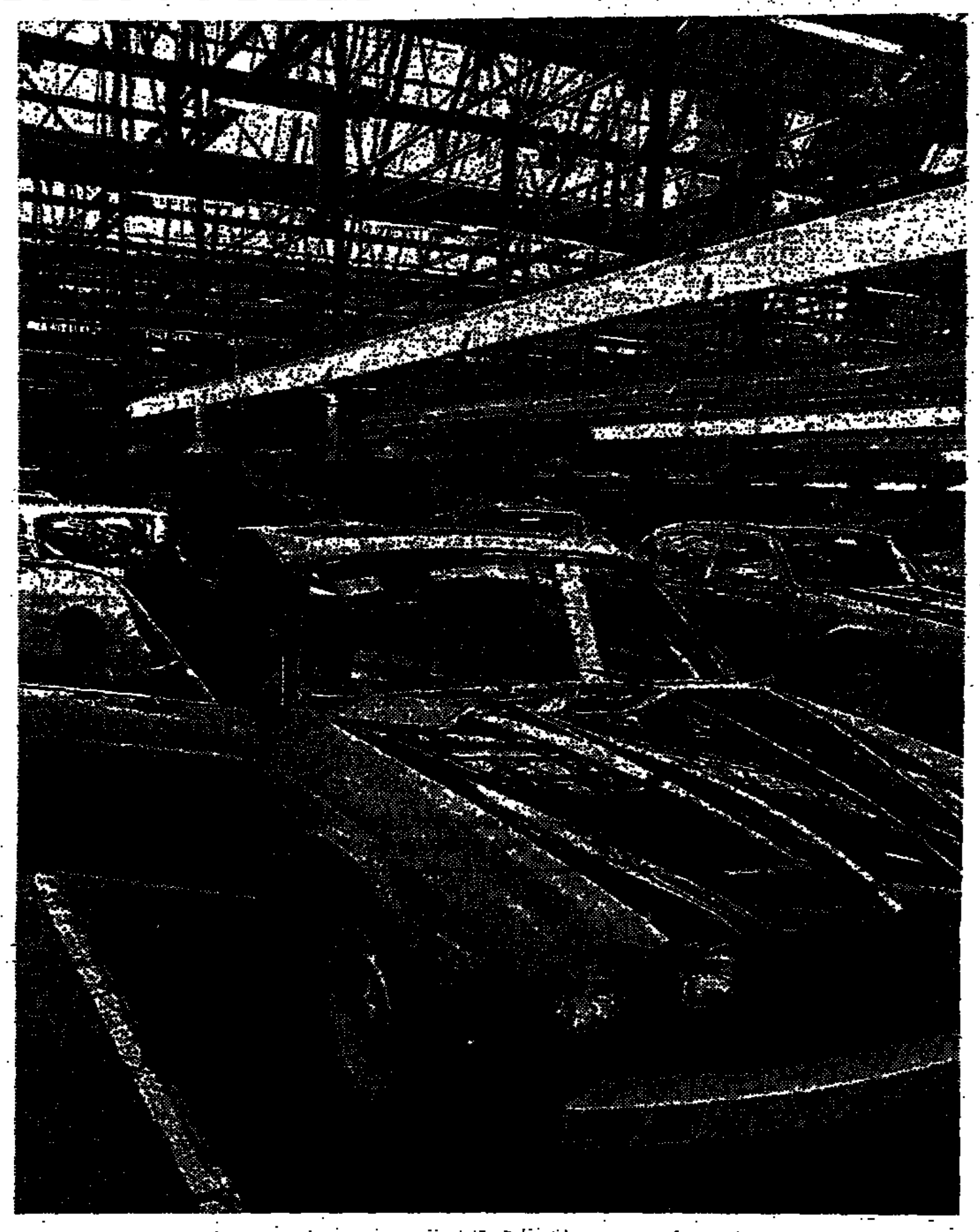
Two implications follow. One is that competitive pressures in the UK automotive industry, far from easing, are likely to intensify as Japanese and other overseas manufacturers make further inroads into the domestic market. The other is that many of the newly-emergent forces in the industry will be found not in the West Midlands, but around the Japanese plants or in South Wales.

The realignments taking place in the world motor industry are of immense significance to the West Midlands because the future of the local economy, more than anywhere else in Britain, hangs so decisively upon the outcome

It would be wrong to overdo the gloom. The big West Midlands component suppliers like GKN and Lucas are already multinationals in their own right, and many small-to-medium sized businesses, even if they cease to exist as direct suppliers to the car assemblers, can still hope for a future as sub-contractors to the multi-national suppliers.

But a tendency towards parochialism among British component manufacturers gives little cause for comfort. The entire UK components industry exports less than 10 per cent of its output, and a long tradition of supplying the car plant on their doorstep means too many West Midlands manufacturers are among the blinkered. For some, a hard landing looms once the cushion of booming car sales is pulled away.

Richard Tomkins



Under threat: Jaguar, whose inherent strengths have attracted the eye of the multinational Ford

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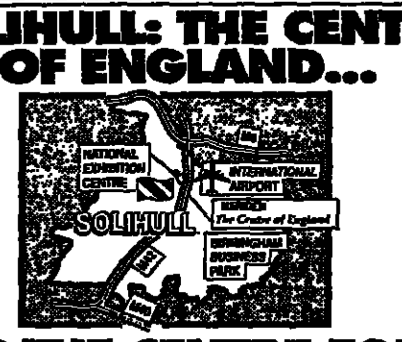

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Conferences/exhibitions

Shop-window to the world

THE NATIONAL Exhibition Centre outside Birmingham is now unquestionably a success. When it was first proposed in 1976 it looked a risky venture for a municipal council to undertake.

Thirteen years and several motor shows on, however, people in Birmingham are saying that the so-called white elephant has turned out more like a large goose which has laid several golden eggs and seems capable of producing several more yet.

Today the centre boasts 125,000 sq metres of exhibition space, having started life with only 89,000 sq m in a investment worth £40m. The present site includes a recently built hall which can be converted into a 12,000 seat concert hall. The total cost has been £125m. Not all of this has come through loans raised by the city council, which with the local chamber of commerce is the main shareholder in the private company that runs the NEC. There have been grants from the European Community Regional Development Fund.

But after paying off the loans, there was in 1988-89 a net surplus to the rate fund of £3.7m. This was on turnover of £40.9m and an operating surplus of £12.6m.

Birmingham's city council is thus showing a return on its investment and a reward for its entrepreneurial *brio*. The returns are arguably not of a level with which most commercial companies would be happy. But the NEC is 100 per cent geared and there is no equity participation.

The NEC's benefit to the regional economy has been another aspect of its success. A study commissioned from Peat Marwick McLintock, the management consultants, estimated that in 1988 visitors and exhibitors to the West Midlands had spent a total of £169m, an increase of 141 per cent since 1984.

In terms of jobs, the number supported by NEC-related activities had increased to 9,270, more the double the level of four years ago. Peat Marwick McLintock reckons the recent expansion in the number of halls at the NEC, which has resulted in a 20 per cent increase in space, will boost total expenditure by visitors to an annual £200m and increase the total number of jobs created to about 11,000 by the early 1990s.

The NEC is looking to just about double its capacity to more than 200,000 sq m by 2004. But its capacity to do so is open to question. The expansion will require raising a further £300m at current prices.

It has flourished, according to Mr Terry Golding, NEC's chief executive, partly because no-one quite realised what a growth industry exhibitions had become by the 1970s. Research shows that in 1976 British companies spent some 2 per cent of their promotional budgets on exhibitions. The figure is now nearer 10 per cent. This year the NEC will stage at least 90 exhibitions compared with 32 in its opening year. It is easily Britain's largest exhibition centre with more than double the capacity of the London's Earls Court, the second largest venue in the country.

Even so, compared with western Europe, which stages 60 per cent of the world's business exhibitions, the NEC is way down the European league table, in tenth position, in terms of capacity.

The NEC dearly wants to climb the table. As Mr Golding says: "The West Germans are leaders in the field. One exhibition alone in machine tools takes up 200,000 sq m. At the moment we cannot stage that kind of event."

The city council has funded earlier expansions by borrowing. This task has been made more difficult because of government restrictions on local authority expenditure. There are ways around these restrictions as the funding of the new International Convention Centre in the middle of Birmingham has shown.

In any event, Mr Golding says the NEC is taking one step at a time. He is confident that the NEC's future bookings and cash flow projections can justify the next phase of its expansion, totalling about £100m up to 1993-94.

Important to its future growth are the excellent rail and road links serving the city. Birmingham International Airport is a 90-second overhead light railway ride from the NEC, where BR has built a station. The motorways are only minutes from the NEC.

The city council and its Economic Development Unit are conscious of the need to improve Birmingham's image. The city has been one of Prince Charles targets because of its architectural shortcomings. But more than anything Birmingham needs people to come and stay in its centre.

The EDU estimates that £1.5bn is being invested in Birmingham. Much of this is on city centre schemes for shopping and leisure which it is hoped will give the city more life. An overriding aim, however, is to liven up the International Convention Centre, an offshoot of the NEC.

One of the reasons why it was thought that a convention centre might work in the UK was the success in 1984 of the Overseas Rotary convention at the NEC. This gathering of 23,500 delegates was the largest undertaking ever made by the NEC.

This prompted discussions of what could be done with a separate and permanent convention centre. The market is reckoned to be worth £50bn a year world-wide.

The ICC, scheduled to open in April 1991, will have 11 main halls in the centre itself with seating capacities varying from 120 to 3,000 each. The halls will include exhibition, banqueting, theatre and cinema facilities.

Hall Two will double as a concert hall seating 2,200. Another reason favouring the construction of a convention centre was the feeling that the City of Birmingham Symphony Orchestra, which with its principal conductor Mr Simon Rattle has been achieving worldwide fame, should have a suitable home. Hall Two will aim to provide some of the best acoustics in the world.

Next to the convention centre will be the 26-acre Brindley Place development. The centre of this project will be the £50m National Indoor Arena, for national and international sporting events. The arena will have 8,000 tiered seats. It will also be possible to convert the arena to provide additional seating for 4,000.

Also at Brindley Place will be canal-side shopping, a national aquarium, cinemas, a two-star family hotel, offices and car parking. Close to the convention a Hyatt Regency five star hotel is being built.

The funding of all this has been complex. The convention centre itself was to have cost around £148m. The European Commission Regional Development Fund would put in £41m, but this was conditional on the venture being designated as a public sector project. Funding strains were imposed by the Tory government's spending restrictions on local authorities; certainly Birmingham city council could not fund the centre on its own.

A solution was found by funding the construction of the International Convention Centre through the vehicle of the National Exhibition Centre Ltd, technically a private company though partly-owned by the city council. The Government apparently turned a blind eye to this and the EC grant was duly forthcoming.

But even with this grant substantial amounts need to be borrowed and it is not clear when, if ever, the ICC is going to make a net contribution to rate-payers funds and emerge as a profit unit in its own right. Yet this may not matter providing the ICC contributes to revitalising the town centre. Preliminary estimates suggest that it could create at least 2,000 jobs, generate spending in excess of £50m in the 12 months after it opens, and have important spin-offs for local hotels.

For the moment Birmingham is not the business centre it likes to think it is. The ICC could make all the difference.

A model of Birmingham's International Convention Centre

Stewart Dalby

INWARD INVESTMENT

A forceful case for relocation

IT IS not uncommon for regional development corporations to produce maps of Britain, Europe and, occasionally, the world, with rings rippling out from their principal cities and main towns.

The purpose: to persuade companies that their cities are perfectly located for businesses considering relocating.

The authorities in Liverpool have produced a map showing that the port on Merseyside is the best midway spot between the Americas and western Europe; in Humberside, on the east coast of Britain, they lay the map of Britain on its side to show that Hull and Grimsby are the true gateways to northern Europe because of the ferries to Zeebrugge; and in Hereford and Worcester the authorities include the empty reaches of Wales in their regional maps to show that Hereford and Worcester and not the West Midlands is at the heart of the British Isles.

At the offices of the West Midlands Industrial Development Authority at Coleshill outside Birmingham, the now familiar arguments of location carry more than usual force.

As Mr Simon Armstrong, the director of WMIDA said: "When you look at the map, the West Midlands simply is the most logical place for industrial investment, especially for companies in or related to engineering looking at the UK market."

Birmingham is situated right in the middle of the country, and is surrounded by motorways to a degree only rivalled by London. The opening of the M40 motorway soon will ease the congestion on the M1 and the M6. Unlike the capital though, more 90 per cent of the domestic market is within a day's driving distance by truck.

The West Midlands also has its own international airport (Birmingham International), described as the top regional airport in England and Wales. The main west coast rail route from Euston, London, to the north of England and Scotland via Birmingham, is another attraction.

The West Midlands was always the centre of Britain's automotive industry. This tradition of engineering continues although it is component companies rather than assembly line car manufacturing which predominates.

One of the reasons behind Toyota's decision to set up near Derby was the proximity of component manufacturers. There are 70 in Redditch alone.

Although manufacturing is still the principal type of activity (more than one third of the population is engaged in manufacturing and the sector contributes the highest proportion of regional gross domestic product of any region), there has been a diversification into high-tech industries as well as the service sector.

The West Midlands is beginning to experience labour shortages and mismatches of skills. The availability of industrial land is being squeezed too. But wages are still between 90 per cent and 95 per cent of what they are in the prosperous south-east. Industrial land can still be found for £100,000 in some parts although it is also true that fully serviced industrial plots can fetch south-east prices of £800,000 an acre.

It also remains available in quantity. Mr Tony Bradley, deputy director of WMIDA, says that when Toyota first looked at the West Midland as a possible site for its new UK plant, seven 250 acre plots were identified.

In the event Toyota went to Derbyshire, which is outside WMIDA's remit (The authority's area covers the seven councils of greater Birmingham plus Hereford and Worcester, Staffordshire, Shropshire and Warwickshire.)

West Midlands' good communications and relatively low costs thus present a pretty convincing argument. Not surprisingly, over the past four years the region has attracted about 25 per cent of total foreign investment in the UK in what broadly may be classified as manufacturing. In 1988-89, just under under £500m was invested in 79 projects, a level of investment largely unchanged since 1985.

Last year's crop of inward investors included a Norwegian pharmaceutical concern, a French hotel, a French wheelbarrow manufacturer, a West German data-based financial services company and a Swiss specialist metals producer.

Mr Armstrong sees the trend continuing for the foreseeable future. He feels that good communications, reasonably priced land, and good quality labour are stronger attractions for relocating companies than grants and other inducements. West German companies, he says, will invest because the severe labour shortages in their own country impose a constraint on expanding capacity there.

The Japanese will set up in the West Midlands because 1992 is looming and they fear the possible development of a fortress Europe.

Having spent the past five years in the Falklands with the development authority there and before that in Scotland, Mr Armstrong has strong views about incentives to relocate.

"I believe in regional commonsense," he says. "I don't believe in subsidising companies to go somewhere where rationally they simply should not be. The Highlands and Islands Board has one of the best packages in the country. One way and another you can obtain up to 70 per cent of your start-up costs.

But what you have to bear in mind is that these grants are just a one-off. After the factory is built you have to live with the recurrent costs of your location decision, with all that means in terms of labour and distance from markets."

WMIDA is purely a promotional agency. With an annual budget of about £1m, its main aim is to attract foreign investment. It does not have land on offer, although it can direct potential investors towards the relevant economic development units at the various councils.

Regional selective assistance is also available but this is more discriminatory than the regional grants which it replaced and amounts at most to 15 per cent of start-up costs.

If the West Midlands remains attractive because of its location and infrastructure, what does the investment do for the region? WMIDA estimates that the 79 projects launched in 1988-89 will create around 4,000 jobs with possibly a similar number of existing jobs protected or consolidated. But this is only the tip of the iceberg.

The city of Birmingham has estimated the value of total developments under way at £1.5bn. Some £395m is in office development, a further £131m in retail. Only £162m is characterised as industrial, although there is a further £611m in mixed investment.

Much of this will be for the expansion of manufacturing companies. Combined with the new incoming foreign investment, the overall multiplier effect in the creation of jobs is considerable.

The automotive industry is a good case in point. As the pressures increase for a higher proportion of locally manufactured components, foreign manufacturers, notably the Japanese, will, they say, use local component companies rather than shipping in parts from Japan. This can only be good for securing new jobs for the West Midlands, where the rate of unemployment has been on a downward trend in recent years.

Stewart Dalby

The region's good communications and relatively low costs present a pretty convincing argument for companies considering new investments or relocation. Not surprisingly, over the past four years the West Midlands has attracted about 25 per cent of total foreign investment in the UK's manufacturing sector. In 1988-89, just under £500m was invested in 79 projects, a level of investment largely unchanged since 1985

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THE EUROPEAN SINGLE MARKET

Challenge of 1992

BIRMINGHAM may be indisputably at the heart of Britain, but how is it adjusting to the thought of being on the edge of Europe as the introduction of the European Single Market and the opening of the Channel Tunnel in 1993 draw near?

In a sense the West Midlands has been drawing closer to Europe for some years. There have been an increasing number of flights from Birmingham International Airport to European destinations; it is now possible to fly to 25 destinations in Europe from Birmingham.

This year British Airways announced it was to adopt the airport as a "hub", using it as the main interchange point between domestic flights arriving from airports in the British Isles and European flights going on to continental destinations. This has led to the construction of a new £60m terminal.

Business people in the region are being made increasingly aware that from 1993, assuming the Channel tunnel is built on schedule, there will be direct rail links to Paris and Brussels. Initially, however, British Rail's existing track will continue to be used, with some modernisations. This means that trains departing from Birmingham will not be able to reach and maintain speeds of 180 mph achievable on the continent. It will thus still be quicker to fly, though not as cheap. Nevertheless, from 1993 there will be direct transport links between the West Midlands and Europe, an important psychological turning point.

Birmingham city council has been active in Europe for some time. The European Community Regional Development Fund has provided funding for special projects, not least the city's International Convention Centre, which has received, or is receiving, about £40m in grants from the fund.

Birmingham council maintains an office in Brussels whose main aim is to secure European funding for city projects. Apart from the money for the convention centre, the EC is contributing £203m in aids and loans as part of a £460m investment programme over the period 1987-1991. This is thought to be the first such aid package in Britain under the "Integrated Development Operation" scheme.

Birmingham city council's Economic Development Unit staged, in June 1988, a European Week. With funding from the European Commission, the event attracted many business people to its seminars and discussions. The unit now runs a series of short courses under the banner of its 1992 Joint European Training Scheme. The programme, which again has been funded by the European Commission to the tune of £206,000, covers the implications of 1992 in terms of export opportunities, agencies, insurance and so on. There are also foreign language courses.

The local branch of the Confederation of British Industry is also promoting the 1992 message. It, too, has a programme of seminars which are backed up by reference material and an advice hotline. Ten companies have produced books for the seminars and briefings. Subjects include acquisition finance, marketing strategy, employment training, law and distribution.

TNT Express (UK), for example, one of Britain's leading parcel carriers, has appointed a 1992 manager, and its briefing covers the planned removal of barriers within the EC, the liberalisation of transport systems and the harmonisation of transport regulations.

Probably the organisation most actively involved in promoting the 1992 message in the region is the Birmingham Chamber of Commerce and Industry, one of the largest such groups in Britain with more than 5,000 members including 1,000 exporters.

The Chamber is host to one of only four "Euro-guichets" or European Business Centres, set up by the European Commission. The aim is to have 20 throughout Britain. For the moment the advice centre is the only one to be operated from a chamber of commerce.

According to Mr Graham Ashmore, the business centre in conjunction with the international arm of the chamber, of which he is director, has two aims. One is to increase awareness of 1992 and its implications. The second is to promote seminars and courses which will inform members of what progress is being made towards trade harmonisation and the opportunities this will throw up for the business sector.

"I think we should not be afraid of 1992. It represents a great opportunity. But there is a low level of awareness of just what the Single Market will mean and what progress is being made towards it," Mr Ashmore says.

He gives two examples of differing rates of progress. One is documentation. For example, if a rock band went to perform in Paris it would have all manner of forms to fill in to ensure the safe passage and return of its instruments. With the introduction of the "Euro-carnet", a catch-all document, the whole process is greatly simplified.

If, on the other hand, a double glazier from Britain wanted to undertake work in West Germany, he or she would still find it virtually impossible. There would be all kinds of non-tariff obstacles such as trade union problems, design differences, divergence on safety regulations, working practices and so on.

In one sense 1992 is already here in that barriers are already being dismantled. In another it is artificial because different areas are moving at varying rates. While there has been progress on financial deregulation, changes in agency law and distribution are still moving slowly.

Stewart Dalby

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Stewart Dalby on the region's expanding communications network

Increased capacity crucial to relieve pressure on demand

GOOD communications are an important factor, often the critical factor in determining whether a business will start up, relocate or expand in a given area.

Accordingly, the Economic Development Unit of the City of Birmingham, which with 300 staff is almost certainly the largest such unit in Britain, emphasises the area's good links in its welter of promotional literature.

The West Midlands has excellent road links, it says, and together with the international airport and fast rail connections to London and the north, it means the region offers significant advantages to businesses which want to be both close to suppliers and have fast transit to the ports and main population centres within Britain and Europe.

In short, Birmingham, located strategically at the heart of the West Midlands and England, is, the EDU claims, the most accessible city in Britain. A glance at any modern road atlas shows that Birmingham is fully encircled by

The juggernaut traffic on the motorways going south should get some relief from the opening of the Channel tunnel

motorways (M5, M6, M42) linked to the city by a meshed series of trunk roads (A38, A45, A456, A41). The M6 traverses the northern sector of the city, and at one point "spaghetti junction" reaches to within a couple of miles of the city centre.

According to figures from the Automobile Association and the Department of Transport, Birmingham has average peak entry and exit times of 17.6 mph, which are significantly faster than London (11.7 mph), Glasgow (12 mph), Manchester (11.7 mph), and Leeds (14.8 mph).

All this may well be true but anyone who has recently driven along the M1/M6 link must be allowed their doubts about the level of congestion. It seems as overcrowded as the M25 around London. The Department of Transport readily admits the M25 has attracted traffic well in excess of original projections. The M25 seems a classic variant of Professor Northcote Parkinson's law that traffic expands to meet the roads available.

Pressure on the overcrowded M1 and M6 should be alleviated when the M40 Birmingham-London motorway, the so-called Oxford link, is opened in late 1991. This will divert traffic to the west of Birmingham and ultimately on to the M5.

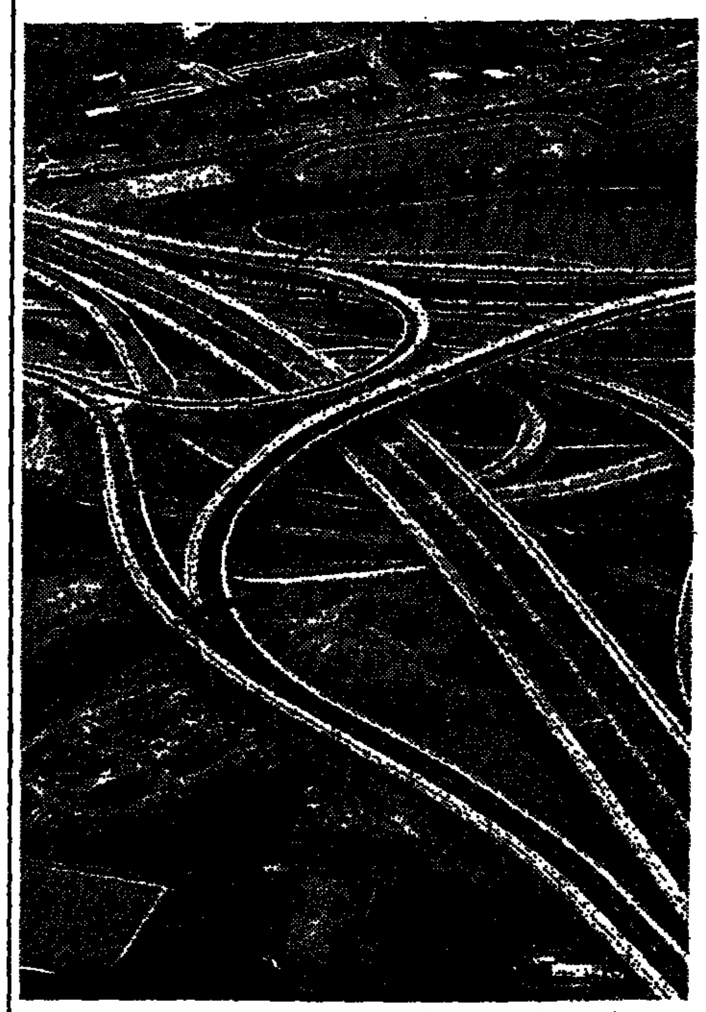
There are a number of other road schemes in the pipeline including a £19m scheme to build a northern link from the M42 to the M5 near Bromsgrove, and the A446 Birmingham Northern Relief Road – a 33-mile motorway costing £185m and designed to relieve pressure on the M6. Apart from the M40, however, the most important new road is the £166m M1-A1 connection, due for completion in 1992. This will provide the missing link between the West Midlands and the east coast ports.

In theory, the juggernaut traffic on the motorways going south should get some relief from the opening of the Channel tunnel. Assuming that the tunnel does open on schedule in 1993, then from day one British Rail, in conjunction with its Belgian and French counterparts, plans to run two passenger services a day up the west coastline and two up the east coast line via Waterloo.

This is irrespective of whether the high speed link from the tunnel to Kings Cross is built and whether there is a direct tie-up through Kings Cross.

To provide this service will be expensive not least because of the need for three sources of power supply as the British, French and Belgium systems are not compatible. There is also the cost of the special 18-coach trains.

On the passenger side, all this plus the amendments to the West London line and the infrastructural adjustments at Waterloo and elsewhere, seem likely to go ahead. British Rail has costed everything apart from what kind of 18-coach "international trains" it will buy (it has already decided on its choice of shuttle trains and which trains to use for the journey from Waterloo to the continent). Initially these will run on British Rail's existing tracks at conventional speeds, but will also be able to take advantage of the high speed tracks planned on the continent.



Spaghetti junction: at the heart Birmingham's road network

The region's transport network offers significant advantages to businesses which want good access to markets and suppliers

In terms of freight British Rail has identified eight possible sites in the West Midlands for a new regional Channel tunnel freight terminal and has been discussing these with local councils. The demands of freight will involve British Rail building an international freight marshalling yard and customs clearance depot at Willesdon, in north London. It will have to undertake bridge and tunnel work between Redhill and the tunnel to allow clearance for 8ft 6in high international containers on freightliner wagons.

This will all cost between £700m and £1.1bn. But it seems doubtful whether in the early years, at least, the rail connections to the continent will significantly relieve the pressure on the motorways. Until the high-speed rail link to Kings Cross is built – and rising costs make that seem unlikely until the mid to late 1990s – trains on the west coast route will not be able to reach the 180 mph speeds possible on the continent.

It will still be quicker to fly to Brussels and Paris than take the train. Most business travellers, it is thought, are unlikely to change their existing method of transport.

Although British Rail has decided not to convert its tracks to the Berne gauge, the standard track width on the continent, it feels that with the proper investment in specialised wagons and standard boxes compatible with the Berne gauge, exports could be diverted from road to rail transportation.

But transport analysts at the EDU in Birmingham feel that it will be importers who will benefit rather than exporters. This is because rail freight is far more common and the network more sophisticated on the continent than in Britain. There are more private sidings, depots and collection points abroad than in the UK.

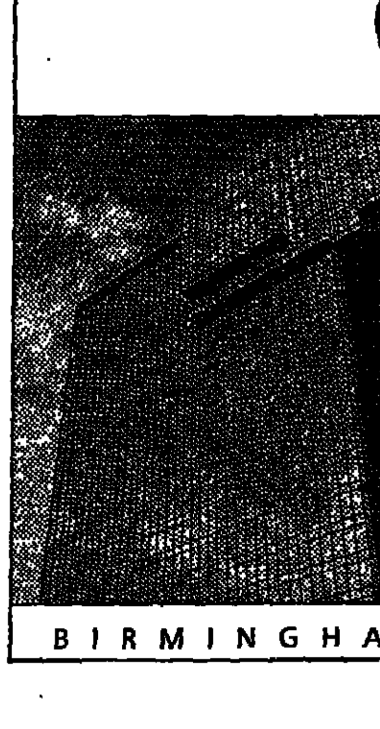
As for air travel, five years ago Birmingham International, the country's fifth largest airport after Heathrow, Gatwick, Manchester and Glasgow, opened a new terminal with a handling capacity of 3m passengers. This, it was thought at the time, would see it through the 1990s. It is now bursting at the seams, however. By 2000 some 10m passengers could be using Birmingham International.

The airport was recently given permission to build a new terminal at a cost of £60m. This should open in 1991 and in part reflects British Airways' decision to adopt Birmingham International as a "hub", using it as the main interchange point between domestic flights arriving from airports in the British Isles and European flights going on to continental destinations.

Flights from Birmingham International now connect with 25 continental destinations and 12 domestic ones. There are more than 500 flights a week to the continent. It is easier to fly to many European capitals from Birmingham than travel to Gatwick or Heathrow and for the foreseeable future it will be quicker than taking the train.

The growth seems set to continue. The airport recently applied for "gateway" status which would mean inter-continental flights to the US and possibly Asia. This was turned down, but Birmingham International will keep trying.

Conference Vivacity



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MIDLAND METRO

High costs threaten to derail project

THE BILL has gone through parliament and now awaits only the royal assent, which should come by the end of the year. The first stage of the West Midlands light transit railway, known as the Midland Metro can then, after many years of planning, go ahead.

By 2,000, the metro, funds permitting, should resemble the planners' overall design: a network of 200 km with possibly up to 10 lines linking the towns of the Black Country, connecting the suburbs of Birmingham to the city centre and separately serving Coventry. The overall cost is estimated at between £800m to £1bn.

To date only three three lines have got beyond the drawing board. Stage one — the cheapest and least bothersome to instal largely because it will utilise old disused railway track — is from Birmingham, Snow Hill, to Wolverhampton, a distance of 22 km, with some 27 stops along a route which would go through West Bromwich and Bilston. The projected cost is around £56m.

The only snag is who is going to fund it. At the moment not even the £56m needed to finance stage one has been raised

However, stages two and three threaten to become progressively more expensive. The bills for parliament for stages two and three are in preparation. Stage two would comprise the city centre line from Five Ways in the heart of Birmingham near the International Convention Centre, through New Street and Heartlands and out to the National Exhibition Centre. Stage three would go from Dudley to Walsall and link up with stage one.

Part of stage two, from Five Ways to New Street, would be underground. The rest of stage two and the entire route of stage three would be overland. Segregated track would be used where appropriate, with its own right of way. It would include not only disused railway lines, but parallel roads and the centre strip of dual carriageways. The cost of the first three stages is estimated at between £250 and £300m.

The only snag is who is going to pay for it. At the moment not even the £56m needed to fund stage one has been raised. A tentative application was submitted to the Department of Environment for funds to be released after the bill receives royal assent.

However, the change of ministers following the cabinet reshuffle has delayed a final government response. The DoE was asked because it is the department responsible for local government spending. At least part of the cost would have to be met, if would appear, from the local councils through whose territories the metro will run.

But given the borrowing limits imposed on local authorities, it seems doubtful whether the councils could even raise the relatively modest £56m to start the metro. Some funding either from the government or the private sector would seem essential.

But the government's attitude is not clear. Whitehall believes that railways of this kind should be funded where possible by the private sector. But as Mr Ray Hughes, the head of Metro Development at the West Midlands Passenger Transport Executive (WMPTE) says: "The government does not have a hard and fast policy; it has loose guidelines."

The debate over the funding of the LTR in London's Docklands and the high speed rail link for the Channel tunnel illustrate the complexities of trying to involve the private sector. The capital outlays are enormous but pricing policy for a commercial return is complicated because it can be difficult to quantify the costs and benefits.

This is nowhere more true than in the area of non-user costs and benefits, such as road congestion. Another is emissions from buses which cause pollution. However, the carriages proposed for the Metro, which are similar to those used on the Docklands LTR, are non-polluting. For those over 40 this signals the return of the tram in all but name.

Congestion is difficult to quantify. The British Road Federation has estimated that the cost of traffic congestion in Britain's conurbations totals £3bn. In the West Midlands, an area of 2m people, the cost has been put at £442m a year. The WMPTE estimates that more than 300 buses an hour pass through Birmingham's New Street, right at the city's heart. A more typical number for a conurbation of Birmingham's size would be 80 an hour.

There are other less obvious benefits to be taken into consideration. For example, much of the area's population growth has been in suburbs where there are no railway lines. A metro would draw them into the city by making in-town shopping easier. But at the same time new businesses, offices and shopping centres would be encouraged to relocate outside of the city centre, attracted by the fact that there were good transport links.

Indeed, one way of defraying the costs is to give investors the opportunity to develop derelict or under-used land alongside or near the route of the metro tracks. However, the sums are complicated. Sites only appreciate in value once the track is in place and developers can see for themselves the true potential. It is a classic chicken and egg argument.

The WMPTE is under no illusions that the metro will have to be funded by private and public money. It is looking to raise 20 per cent of the costs from the private sector, up to 40 per cent from the European Community Regional Development Fund, 20 per cent from the government and 20 per cent from the West Midlands Passenger Transport Authority, comprising the seven local councils in the area.

One way of defraying the costs is to give investors the opportunity to develop derelict land alongside the route of the metro

The government can, under the 1968 Transport Act, give capital grants for projects of this kind. The fact that a payment of £47m for Manchester's metro looks imminent has encouraged hopes in the West Midlands that its application for funding will be favourably treated.

As a transport economist at the City of Birmingham's Economic Development Unit, said: "It seems the government wants to be satisfied that once it gives a grant that will be the end of it. It does not want to find the local authority coming back year after year looking for money to finance a loss making venture."

The WMPTE is convinced that the first three stages of the Metro will make comfortable operating profits. For the moment, however, the ball is firmly in the court of the new Transport Secretary, Mr Cecil Parkinson.

Stewart Dalby

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Robert Waterhouse on the pressure to find good industrial sites

A search for the prize plots

BIRMINGHAM is not the only city to have problems matching supply of industrial land with market demand. After years of coping with redundant, almost valueless space the pressure is on to find good, serviced accommodation anywhere in the West Midlands. Schemes are coming onstream at the sort of rental values that send developers scurrying to their calculators. The problem lies in finding suitable sites for the future.

A hint of recession may not, in the opinion of Mr Barry Allen, of Debenham Tewson Chesshire, be totally bad in that it should return a little realism to the market. People with land parcels around the West Midlands are tending to hold out in the hope and expectation of B1 designation. They should realise that some land is shed land, Mr Allen says.

And at around £5 per sq ft on the nail, new sheds are not bad business these days. Chesterton have new-build industrial units of up to 125,000 sq ft available at Castle Bromwich, for instance, and two other sizeable shed schemes at Forge Lane, Minworth.

Birmingham Business Park at Solihull, on a 158 acre site developed by Arlington Securities, is already on phase two. Coventry's Westwood Business Park is down to its last couple of acres, letting at £13-£14 per sq ft. A £10m first phase of Pendeford Business Park, Wolverhampton, is taking shape with a 18,500 sq ft pre-let for Alfred McAlpine Construction's regional headquarters.

All this, however, is merely keeping pace with present demand. Birmingham city council has led the move for a more strategic approach, taking the view that portfolio balance was particularly poor at the top end of the market.

A premium sites study identified three potential greenfield sites around the West Midlands. The study was endorsed by Mr William Waldegrave during his time at the Department of Environment; its recommendations are expected to be incorporated in forthcoming unitary development plans.

The sites are outside Birmingham itself, but that is not seen as a problem by Mr John Bird, the city's acting assistant director of development. "We don't have a Clochemerle attitude," says Mr Bird. "These sites are for the benefit of the conurbation." He is not particularly worried about timing, or the effects of a market downturn. "Cycles come and go," he suggests, "we're trying to gear ourselves for the next 10 years."

Top of the list is a 200-acre stretch of interim green belt close to junction 4 of the M42 which Solihull Metropolitan Borough Council and Speyhawk are jointly promoting as Blythe Valley Park. A preliminary consultation exercise carried out during September stressed both the economic and intended environmental benefits of the proposal.

But none of the strategic sites could be confirmed without a lengthy public inquiry involving green belt issues. That puts them perhaps five years away at the earliest, and represents what some see as a window of opportunity for the brownfield sites in Birmingham Heartlands and the Black Country. However, land reclamation in both areas is only now getting seriously under way and it will be at least two years before much volume begins to come through.

This encourages the so-called doughnut effect, with developmental pressures pushing outwards from the hollow centre and attempting to straddle green belt restrictions. Mr Tony Bradley, general manager of the West Midlands Industrial Development Association (WMIDA), the regional inward investment agency, reports a high level of interest from overseas companies seeking to invest in the region but a preference for established greenfield sites where their image is automatically reinforced. Mr Bradley says he is "coping with difficulty" in the present restricted circumstances.

WMIDA is about to commission its own study in an attempt to quantify demand. Mr Bradley points out that overseas investors tend to have wider perspectives than county boundaries. A base in the Midlands within 30 miles or so of Birmingham may suit them fine. In the case of Toyota, it was probably no accident that the company found a site adjacent to but not part of the Birmingham conurbation. And investment which finds a home somewhere else in the country is a success story for all. "West Midlands first, but Britain second," as Mr Bradley puts it.

Regional analysis by government bodies is beginning to class the West Midlands economy as an integral if outlying part of the south-east rather than a generator in its own right. The causes are well charted — spiralling south-east costs and labour problems; the anticipated arrival of the M40; the change of emphasis from manufacturing to service industries within the West Midlands; and the improved profile of Birmingham itself.

These all reinforce Birmingham Heartlands' confidence in its Star Site's future role as an international business exchange. Yet one question Heartlands must address is to what extent it serves the local community — typified by high unemployment and social malaise — compared to its regional, indeed national role. Quite apart from the issue of relocating small businesses occupying an inordinate amount of space, there could be clashes over potentially lucrative housing areas as the general environment improves.

Birmingham Heartlands Ltd was unable to find office accommodation inside the development area because offices are alien to the east Birmingham culture. Instead, it took sixth-floor space in Nechells House, a "flatted factory" built by the city council during the 1950s when land for productive industry was at a premium. By the time Heartlands completes its task it hopes to have created more than 4m sq ft of B1 or office accommodation.

That illustrates the scale of change the market intends to bring to east Birmingham. It presumes continuing regional growth, a national economy which encourages investment, and a healthy admix of international business.

Heartlands still has large areas designated for manufacturing, where companies are already investing heavily. But it could end up competing with the strategic greenfield sites in a decade or so. The doughnut will have become a currant bun.

RETAIL DEVELOPMENTS

Regional store wars

ON NOVEMBER 15 the Merry Hill Centre's 1.2m sq ft regional shopping mall opens its doors for business. This is the most important phase by far of a retail venture begun in a modest way when Mr Roy Richardson and brother Don tested the planning implications of an MFI retail warehouse on the 120-acre former *Round Oak steelworks site* they owned within Dudley Enterprise Zone.

One retail shed led to another, then to a superstore and to bigger retail outlets. The opening of the mall, and the arrival of high street names like Debenhams, Marks & Spencer, BHS, C&A, Littlewoods and Next, will put Merry Hill on a par with shopping centres around the West Midlands. It is a moment to be savoured by the Richardson twins, born at Brierley Hill nearby, who have made their millions locally and operate from Dudley Road East in Oldbury.

Merry Hill just grew, fuelled by its profits and the slowly-unfolding Richardson vision. It was, at first, something of a joke. Road access, for instance, was poor. Today everybody takes it seriously. As the Richardsons predicted, the roads have improved to serve Merry Hill. On site, patrolled parking, minibus services linking local communities and a monorail seem to guarantee satisfied customers.

Phase six, already under construction, promises 350,000 sq ft of luxury offices with — in a final evolution from shed life — 70,000 sq ft of festival shopping. The Richardsons are working on phase seven whose elements will include a 120-bed hotel and conference centre, various leisure attractions and a heritage centre to complete Merry Hill.

The fact that it started without so much as a plan — Mr Don Richardson *simply hints* that Dudley asked him to create action in the enterprise zone — has made a nonsense of coherent regional retail policy in the West Midlands. Merry Hill sparked off a round of reinvestment in the traditional shopping centres. Then three years ago Sandwell Metropolitan Borough Council gave outline permission to another retail mega-scheme at Wednesbury, the scheme now known as Sandwell 2000.

This summer Speyhawk, which is developing Sandwell 2000 together with the Alton Towers Group, obtained detailed planning permission for the £350m, 4m sq ft scheme from the Black Country Development Corporation (BCDC) in spite of opposition from all West Midlands local authorities except Sandwell. Like Merry Hill, Sandwell 2000 combines retail and leisure activities. Unlike Merry Hill, it is planned as an integral development, with work starting on site late in 1991 and completion by 1995.

The scheme's chances of being built — and it is by no means a foregone conclusion — are helped by land reclamation work associated with open-cast operations at the former Patent Shaft pit which occupies two thirds of the site. But Speyhawk's Mr Andrew Whitehorn says that much will depend on the level of preparation demanded by investors when it comes to signing a deal in advance of construction.

He is not anticipating much direct infrastructure contribution from the public purse, apart from the Black Country spine road nearby for which government funds — and a convenient roundabout — are already secured. The local authorities, who considered challenging the detailed planning permission in the courts, will lobby *against* further subsidies for what has emerged as BCDC's flagship scheme.

Mr John Bird, of Birmingham's development department, says that the city is happy to compete but will strongly oppose future out-of-town schemes. He points out that the strategic guidance *given to local authorities in* preparing unitary development plans backs the need for strong urban centres. How was it, then, he asks, that the Environment Secretary declined to call in the Sandwell proposal?

Speyhawk's Mr Whitehorn claims that the scheme will have all the vitality of a town centre. In reality, he says, Sandwell 2000 could be far more varied than the concept *design worked up for the plan*ning application by Seifert. Five or six different architects will contribute to a patchwork of shapes in which hotels, restaurants, pubs, clubs and leisure amenities take up as much floorspace as the retailing.

Publicity promotes the *scheme as of regional, indeed* national importance. That, in itself, is a break with tradition. One explanation for Merry Hill and Sandwell is that in the past Birmingham has simply been the largest of many West Midlands shopping centres tending to live off localised business. Spurred on, Birmingham is attracting its own renewal schemes — the most important being London & *Edinburgh Trust's proposed* £450m Bull Ring redevelopment.

How much more new retail floorspace can the region support? A study commissioned by the West Midlands local authorities from Drivers Jonas took a less than bullish line even before recent interest rate rises. *Quite apart from Sand*well 2000, BCDC has granted planning permissions for 500,000 sq ft of non-food retail outlets in the Black Country area. In the circumstances, developers will be anxious to see how Merry Hill's new malls perform during the run-up to Christmas.

Mr Whitehorn takes an optimistic long view of the West Midlands economy. He sees *Merry Hill, because of its piece*meal development, as backward looking and no disincentive to Sandwell 2000. Mr Don Richardson, with his Merry Hill stores about to open, tends to be more generous. "We can live with Sandwell. We hope it goes ahead." The scheme, he implies, may even need a little *down-to-earth assistance from* Black Country specialists.

Robert Waterhouse

MID WALES

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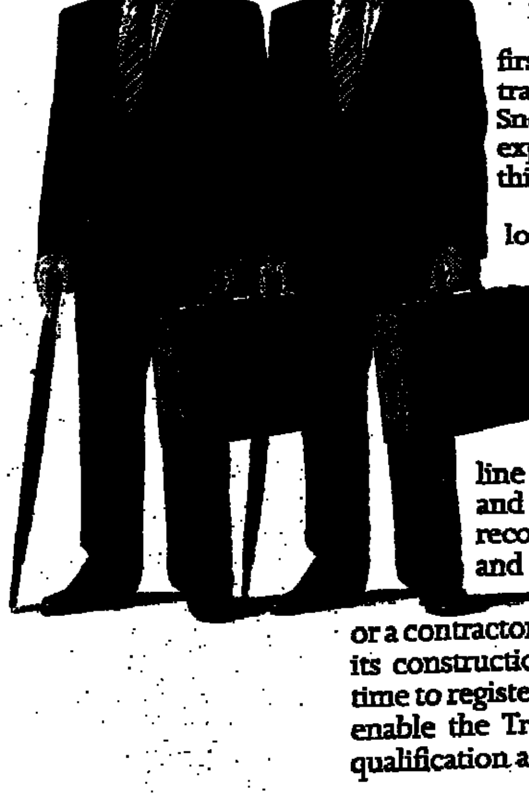

The Parliamentary Bill for the first Midland Metro light rail rapid transit line between Birmingham Snow Hill and Wolverhampton is expected to receive Royal Assent later this month.

Two further routes (each 26km long) will be included in a second Bill, to be presented this November, — and this is just the start.

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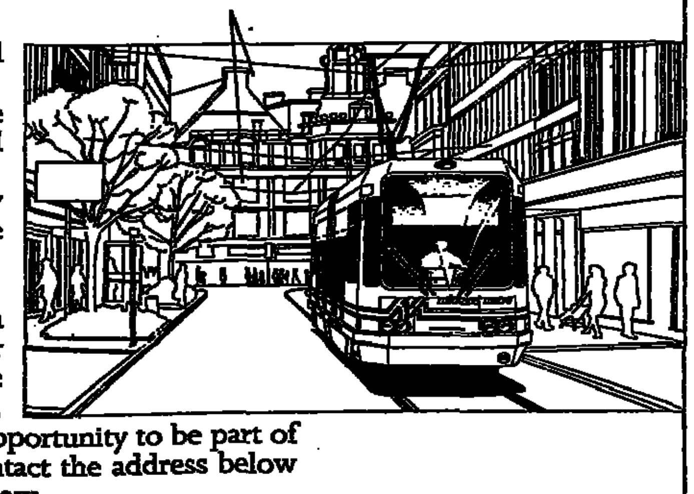

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midland metro

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Robert J. Tarr, Director General,
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BLACK COUNTRY DEVELOPMENT CORPORATION

Southern prospects, northern values

IN LATE September, Black Country Development Corporation staff met with an assortment of local people to present prizes for their 1990 calendar competition.

Entries had been invited in six categories on the theme of black and white into colour, symbolising Black Country rejuvenation. Mr Bill Tidy, the cartoonist, helped judge the 100 or so entries which offered visual proof of community pride in the past, and in the current process of change.

The Black Country approach is not just about bricks, mortar and private sector leverage

To Mr David Morgan, the corporation's chief executive, this homely event was perhaps the first time his organisation had touched the Black Country psyche. After two years of sweat, £37.5m spent mostly on land acquisition, and more 800 planning applications approved bringing the prospect of nearly 14,000 jobs, this simple event somehow made the whole exercise a reality.

Mr Morgan is very much a man in the new towns tradition. His own teenage years were spent at Stevenage, and his reputation was made at Peterborough. He notes that the Scottish new town Glenrothes has just celebrated its 40th anniversary, and that Prince Charles has not singled out a new town environment for castigation. They are, Mr Morgan suggests, okay places.

So the Black Country approach is not just about bricks, mortar and private sector leverage. The message is underscored by aphorisms slotted into this year's annual report, summarised by a quote from Hegel on the back cover: "If all the dreams which men had dreamed during a particular period were written down, they would give an accurate notion of the spirit which prevailed at the time."

But dreams have to become reality in a desperately short timescale for urban development corporations. The spate of planning approvals processed by mid-September 1989 give a fairly accurate notion of today's priorities. They include more than 2m sq ft of industrial floorspace, 875,000 sq ft of warehousing, 658,000 sq ft of office accommodation, and some 500,000 sq ft of non-food retailing (excluding Sandwell 2000).

This year's BCDC corporate plan looks ahead to April 1993 when its £160m will have been spent and the mission mostly achieved. A large part of the action depends on speedy realisation of the Black Country spine road which will be built to very tight contracts and is due for completion by the end of 1991.

Although it is only a few miles long, linking junction 1 of the M5 with junction 10 of the M6 via the West Bromwich Expressway and the Black Country Route, the spine road has come out of the hat as a full grade-separated dual-carriageway costing £140m. This compares with the estimate of £50m when Department of Transport approval was announced in March 1988.

At the time it was seen as a triumph for BCDC's chairman, Sir Bill Francis, that the road had been "trunked" or centrally funded. Black Country fortune contrasts with the tribulations of Birmingham Heartlands. The spine will provide the essential economic generator. But, by implication, the Black Country will also be opening up its inner core to the national motorway network as traffic finds a bypass to the notorious M5/M6 junction.

Unemployment has fallen consistently and development pressures are beginning to build up

This autumn the line of the route, which already has planning permission, was examined at a public inquiry dealing with objections of businesses and homes.

A separate inquiry follows next month into a compulsory purchase order promoted by BCDC to acquire 570 acres bordering the route to add to the 680 acres it already owns. This, if confirmed, will provide the bulk of the corporation's land bank. Income from site disposal is estimated at £18m by 1993.

Businesses affected by the road line will be found alternative premises and given priority when BCDC comes to selling its sites. As a last resort, the corporation is committed to develop a site catering for specific needs of the smaller displaced companies.

The route passes through three Black Country highway authority areas – Sandwell, Wolverhampton and Walsall. The authorities will act as agents for the Department of Transport.

This will speed up the entire process; it will also reinforce the partnership approach BCDC has been pursuing with the local authorities, which act as planning and land reclamation agents within their own boundaries.

Sandwell, the main host authority, has moved from a position of outright opposition pre-designation to one of close co-operation with BCDC. The Labour-controlled authority provides two BCDC board members in councillors Mr Roy Davis and Mr Ron Partridge. Sandwell's senior assistant borough secretary, Mr Nigel Summers, says that different philosophies are shelved in the common cause to stem dereliction and improve infrastructure. It is a process which allows the local authority to feed in information and ideas.

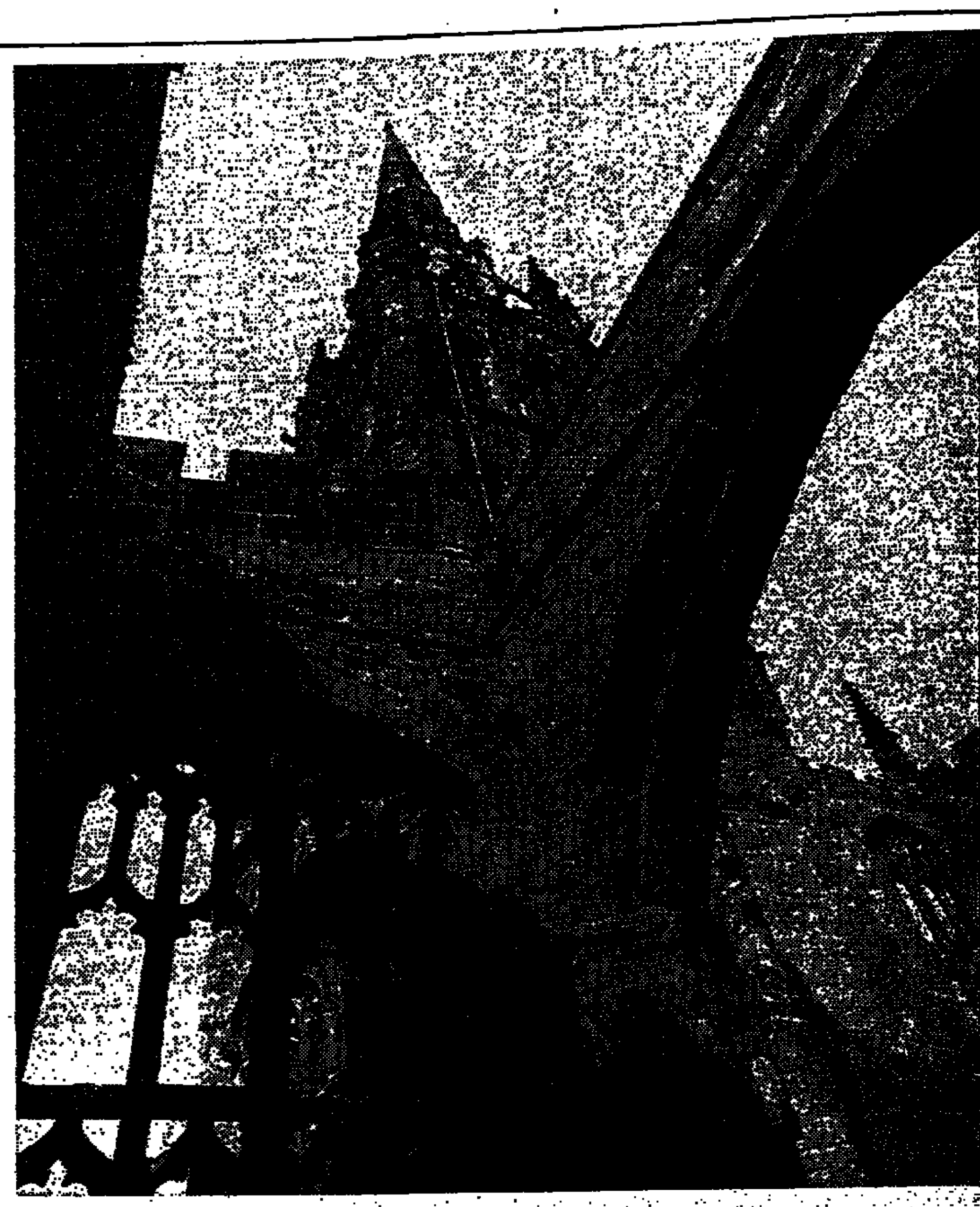
Writing in a recent local government journal, Wolverhampton's chief executive, Mr Mick Lyons, not without problems in his own borough, commented that the most important aspect of co-operation was the confident signal it gave to private sector investors.

The most important aspect of co-operation was the confident signal it gave to the private sector

Confidence is the name of the game in the Black Country. What Mr David Morgan calls the fourth dimension of BCDC activity must be grafted onto a complex area where some 35,000 people live and 53,000 work. Although parts are desperately derelict and contaminated by former industries, unemployment has fallen consistently and development pressures are beginning to build up.

In its brief life, BCDC has to harness these pressures, lay out the new environment for changing lifestyles, and create a revised legacy for future generations. This, Mr Morgan proposes, might combine southern prospects with northern values. In a new town context, he would have seen himself as the provider of such an ethos; in the Black Country he is happy to be called an enabler.

Robert Waterhouse



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BIRMINGHAM HEARTLANDS

A heart in need of financial surgery

IN DEFIANCE of simple anatomy, the heart needs a spine. Birmingham Heartlands, born in November 1987 as a private-sector alternative to urban development corporations, will waste away during infancy unless its proposed spine road is funded by central government. Infrastructure is all.

That, in essence, is the position of Birmingham Heartlands' chief executive, Mr Alan Osbourne, chairman of Tarmac Construction.

Mr Osbourne puts his case starkly: with the spine road come 11,000 directly related jobs and the promise of private-sector investment totalling £1.1bn for Heartlands; without the road, a few thousand additional jobs and maybe between £300 and £400m of investment.

At a cost of around £74m, including a £15m developer contribution, plus a further £56m in support roads, the spine would seem an excellent bet.

The problem is finding a mechanism. Because it has no "up-front" money, Heartlands cannot sketch in the road – as development corporations do with confidence. An application to have the scheme "trunked", and so financed directly by the Department of Transport, is thought unlikely to succeed.

The spine road will have to take its chances in Birmingham's 1990 road programme, bidding for 50 per cent government funding topped up by technical procedures. Support roads could be funded from European sources.

Birmingham city council, a partner in Heartlands, prepared the spine road feasibility study and is fully behind the concept. The line has been firmed after a process of consultation. But unless the road is financed from central government sources the local authority just cannot afford it. Heartlands will know in December whether the spine road is at least programmed for 1990.

On the map it seems hardly possible that this semi-derelict 2,500 acre wedge of east Birmingham needs yet another road. Part of its boundary is defined by the Aston Expressway leading via Spaghetti Junction to the A38 Tyburn Road; the M6 crosses the area at high level and also defines a stretch of its border. Birmingham's middle ring road divides Heartlands from Aston Science Park and the city centre.

But access to the big sites left behind by public utilities, and to Fort Dunlop, is poor. While dislodging some homes and businesses, the spine road will open a new path up the centre of this forgotten area, reinforcing business confidence and encouraging new investment. In all it will enable 4.5m sq ft of commercial and industrial floorspace to be built.

The city council has a 35 per cent stake in Birmingham Heartlands Ltd. But the company's operational muscle is provided by a consortium of developers – Bryant, Douglas, Galliford, Tarmac and Wimpey – who between them have 64 per cent of shares (the remaining one per cent being with Birmingham Chamber of Commerce).

The developers intend, in various combinations, to tackle industry and housing, greening dereliction and creating a total 20,000 jobs in an area with levels of unemployment still pushing towards 30 per cent in places.

The consortia work within an agreed development framework, acquiring and assembling land parcels. Birmingham city council remains the planning authority, and grant applications are forwarded to government departments in the normal way.

It is an ambitious and innovative concept which involves, Mr Osbourne suggests, a lot of courage on the part of the developers. They will, of course, participate directly in the profits both in terms of site values and the construction contracts which, it must be assumed, will stay within the consortia.

Worries that long-suffering residents may be squeezed out or simply abandoned to their fate if neighbourhoods are not found to be developable have yet to be confirmed or allayed. One pointer is the number of office or B1 jobs envisaged in spine-related development – 7,700 compared with 1,800 in manufacturing, including high-tech companies. This implies a mismatch between the skills of the past and those needed for the future, whatever training packages emerge.

Waterlinks, the first company formed by the consortium – each will have four out of the five developers – has started on a £150m programme for 330 acres bordering the Birmingham and Fazeley Canal aimed at creating 1m sq ft of low-rise quality B1 offices and 5,000 jobs. A city grant of £6.2m has been awarded to the first development phase of 40 acres.

Commercial agents see a ready market at Waterlinks for companies wanting their own premises and parking outside the front door in preference to city centre restrictions.

So long as the overall environment matches the quality of design and construction, units could fetch close to the figure (currently £20 per sq ft) being asked for prime Birmingham office space. Aston Cross, due for completion in autumn 1991, is already beginning to look a very satisfactory investment.

Waterlinks is not much affected by the spine road, but the Star Site, Mr Osbourne says, emphatically is. This, 80 acres of former power station and gas works close to Spaghetti Junction, should form Heartlands' key development, a 3m sq ft international business exchange.

It will be pitched at big companies seeking an alternative to the south-east, and is complementary to the city centre.

Because of its history, and its physical isolation, the site has few planning constraints. This sets the stage for a significant statement to express Birmingham's renewal and its European aspirations.

A competition for concept architects has been narrowed to a shortlist including Arup Associates, Richard Rogers and Skidmore, Owings and Merrill. The rival teams are due in Birmingham later this month to see the site and meet the people. Work could begin on phase one – a 750,000 sq ft wedge – as early as next September, spine road permitting.

There are one or two influential Birmingham voices who query the spine road's need. They say that links can be made to existing routes and the real danger is of destroying developer confidence if road finance cannot be secured. They imply that the road proposals have been pursued to achieve an honourable balance between private and public-sector investment. Without roads, the leverage is 17:1; with roads it descends to 4.5: 1.

Heartlands' chief executive, Mr Alan Osbourne, does not accept any such analysis. He claims that investor confidence is running high in spite of the uncertainty about the road, that land assembly is working, and that the 10-year timescale set for activities is realistic – indeed anything longer would be unbearable.

"I haven't contemplated losing the spine road," Mr Osbourne comments. "That, as I said to the judge, is a hypothetical question."

Robert Waterhouse

Air of confidence: Alan Osbourne, of Heartlands, desperately needs government backing

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43 OFFICES WORLDWIDE

Nikki Tait questions how long the corporate sector can maintain its growth record

The chill blast of high interest rates

"Come and look at this." Mr Roger Dickens, head of the Birmingham office of Peat Marwick McLintock, the international accountancy firm, bounces out of the room almost before he has bounced in.

He is heading towards a window on the other side of the reception room floor, through which the north-west side of Birmingham and a host or cranes, can be seen sprawling to the horizon. That, says Mr Dickens, pointing enthusiastically, is the area into which the financial services industry in Birmingham will be expanding next – once someone has found a way of negotiating the traffic-ladden barrier of Great Charles Street.

> While few firms admit to anything other than a healthy workload at present, the overriding question is how sustainable the current mood of optimism will prove. Already some shifts in corporate activity are discernable

Mr Dickens is not being entirely fanciful. Wherever you look in Birmingham city centre, either new office blocks are going up or older buildings are being refurbished. The new space is invariably pre-let, and the clients are heavily derived from the financial services sector.

At Colmore Circus, for example, there is a huge development for the Weslyn & General insurance company – with one of the region's larger law firms due to snap part of the space. A hundred yards away, on Mr Dicken's own doorstep, the foundations are being laid for a 136,000 sq ft building, destined to be the new home of rival accountants, Price Waterhouse.

The same story is repeated time and again. And, in the meantime, tenants in the city centre talk of rents doubling in little more than a 12-month period.

All this is compelling evidence of the region's resurgence over the past five years, with the professional firms prospering and expanding on the back of a healthy industrial sector. But, as the chill blast from yet another interest rate hike sends shudders through corporate boardrooms, the question must be whether – or how long – these good times can last.

The extent to which the West Midlands has fought back from the dark days of the early 1980s is certainly a matter of considerable pride to the local financial services community. The West Midlands International Investment & Merchant Bankers' Association, for example, displays a "fact sheet" boasting that "the largest office of the world's largest venture capital company", "the largest number of accountants outside London and the south-east" and the "top four regional firms of solicitors" – plus an array of other superlatives – are all present in Birmingham.

More objectively, one might note that this resurgence appears to have affected different professions in very different ways. Merchant banking, for instance, still has a rather uneasy regional role, with many of the top bid advisers – the likes of S.G. Warburg, Schroder Wagg, Morgan Grenfell or Lazards, for example – showing no interest in tackling the provinces on their own ground.

True, the merchant banking arms of the clearing banks have a far stronger presence; all four are represented in Birmingham, while Hill Samuel (which has become part of the TSB) also recently bolstered its local advisery presence.

That said, there is still a tendency for development finance – the backing of management buyouts and the like – to dominate. Even Mr Edward Bruger at Hill Samuel, which probably interprets the regional role more widely than some of its counterparts, notes that some 50 per cent of the work has sprung up at this level and only half concentrated on quoted corporate sector.

In terms of new faces, the most noticeable recent influx has been the Japanese banks. About half a dozen institutions either have, or plan Midlands-based offices.

This, however, is usually attributed to a desire to service the inflow of Japanese companies in the region, and few of the indigenous players seem to feel any significant threat from this quarter.

> In terms of new players, the most noticeable recent influx has been the Japanese banks. This, however, is usually attributed to a desire to service the inflow of Japanese companies in the region

Ironically, the other new face on the scene is Guinness Mahon, in which Bank of Yohohama has a majority stake. But the bank says firmly that the decision to set up a Birmingham office was taken well before the new investor arrived.

It would be hard, on the other hand, to decry the regional strength of the legal and accountancy firms – although even here there are differences.

While the accountants are dominated by the national firms, the legal community is predominantly home-grown, with the big City names conspicuous by their absence. Indeed, traffic has tended to be in the other direction, with some of the Birmingham-based law firms opening London offices.

Explanations for this vary. One theory is that audit work has spawned national accountancy groups; the other, that corporate lawyers are simply slow in following the accountants' path, but that the move to national organisations will eventually prove irresistible.

As for the stockbroking capacity, there are well over half-dozen firms in all. However, much of this concentrates on the personal investor market and, at the corporate level, Albert E. Sharp – almost a mini-investment bank in its range of activities – forms the dominant presence. Some professionals also comment on something of a resurgence by Smith Keen Cutler, Sharp's traditional rival.

But, while few firms admit to anything other than a healthy workload at present, the overriding question is how sustainable the recent – and current – mood of optimism will prove. Already some shifts in corporate activity are discernable. Sharp, for example, says that "a lot of new issues have been pulled – owners have been told quite clearly that they will not get the multiples they wanted."

Mr Keith White, running County NatWest's Birmingham office agrees that "people are becoming more uncertain." He points to one of their venture capital investments which has had to postpone a planned November stockmarket launch.

Happily, acquisition activity has proved more resilient. Again, Sharp suggests that having seen flotations account for 40 per cent of business in 1988, with general M&A work taking the other 60 per cent, the split is more likely to be 10:90 in the current year.

Nevertheless, it is perhaps better described as a mood of uncertainty rather than impending gloom, and views do fall into two separate categories.

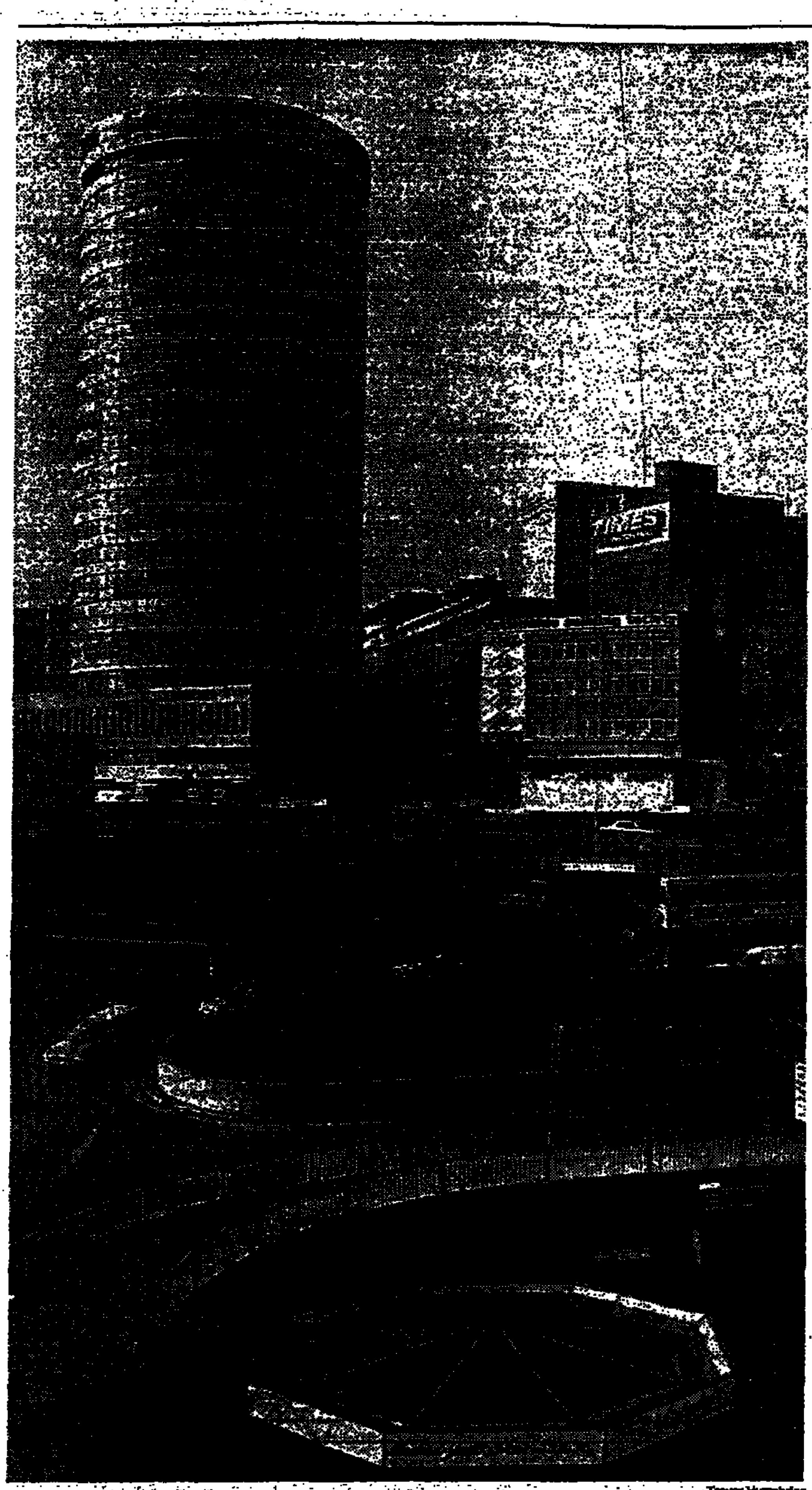
The bear case, which is voiced less frequently, maintains that West Midlands industry may have recovered from the earlier recession but that structurally no deep-rooted changes have taken place. If the economy is heading for a couple of grim years, the West Midlands will suffer again and the financial services sector will feel the full effects.

The bull case says that, not only has industry adjusted to a certain extent, but that the professions themselves are better-placed to deal with any downturn.

On the industry side, it is pointed out that inflows of overseas interest – primarily from Japan and Germany – offers an added stability, and that 1992 may promote this further. The expansion of the local professions, meanwhile, may have irrevocably won back clients for the region who would previously have taken their services from London. And the point is made that financial services companies can still operate from a significantly lower cost base in Birmingham, which could even seduce customers from the south-east to the Midlands.

> Wherever you look in Birmingham city centre, either new offices are going up or older buildings are being refurbished. The space is often pre-let, and the clients are heavily derived from the financial services sector

There is an element of truth in both arguments, and which scenario develops may owe a good deal to the extent of the threatened recession. But, as one of the bears remarks, a plethora of cranes and new building always leaves one slightly uneasy.



Trevor Humphries

City attractions: many venture capital funds are keen to elbow their way into the local market

VENTURE CAPITAL

Well-nursed sector commendably self-contained

REGIONAL offices and venture capital seem to have a natural affinity. After all, the business in hand is usually small-scale, and – both from a sales and investment viewpoint – local knowledge is a clear advantage.

So perhaps it is not surprising to find the West Midlands venture capital market is relatively well-nursed. It is true that the supply of funds is dominated by 3i, the national venture capital company which has had an office in Birmingham since the early 1950s. One competitor estimates that 3i must have been involved with more than 50 of the 120-odd new investments made in 1988. Seventy, retorts Mr Peter Williams, head of 3i's Birmingham office, quickly.

> One of the main criticisms of the industry is whether enough capital is being committed at the start-up level

But in spite of this formidable entrenched position, there has been no shortage of other organisations keen to elbow into the field and offer a competing local presence. The likes of Lloyds Merchant Bank, County, Barclays Development Capital and Hill Samuel are all active players, not to mention the more-established local stockbroking firm, Albert E. Sharp. Sharp now runs three venture capital funds – Sumit, Sharp Technology Fund and Sumit Venture Fund One.

In many ways, then, the local venture capital industry is commendably self-contained. Back-up services, in the form of local accountancy and legal professions, are readily available. And it is to the area's credit that a regional syndication market has developed which means that deals can effectively by-pass London.

That said, one grouse occasionally raised is that decision-making by local offices is sometimes restricted, and that the nod on significant capital investments has to come from some City-based head office – producing unwelcome delays and uncertainty. It is a point acknowledged by some players, although most suggest that the situation is tending to improve as offices expand and the depth of local expertise is stepped up. 3i, for example, maintains that 70 per cent of the business written is approved locally.

The other main criticism is the broader one flung at the industry generally. Is enough capital committed at the green-field or start-up level, or is a disproportionate amount sucked into relatively safe areas, such management buy-outs?

It is certainly true that the management buy-out phenomenon has been as pronounced in the Midlands as elsewhere. Indeed, given the structure of the region's industry and the pull-back from the early-1980s recession, it is probably fair to say that the West Midlands has seen a disproportionate amount of activity in this area.

As for start-ups, some venture capital players will admit that there is a tendency to "play safe" – but then invariably defend their own records, pointing to instances when they have invested at this level. The point is also made that such criticisms are often levelled by those whose plans may have been unsound.

Perhaps the only substantial institution to deliberately adopt a different approach is the West Midlands Enterprise Board. It justifiably claims to look at smaller deals that its rivals – dealing in tens of thousands, rather than the £100,000-plus which others prefer – with the prerequisite that they should be in the manufacturing sector.

Part of its funds now also come through the West Midlands Regional Unit Trust, an institutionally-held vehicle, and it also advises on three smaller funds for Coventry, Warwick and the Black Country, developed with local county councils.

The effect of the high-interest rate climate and the associated economic uncertainties are still difficult to assess. Perhaps the most noticeable trends to date are the decline in the new issue market – effectively reducing the exit options – and some curtailing of the MBO trend.

Few venture capital firms care to admit that the first development is of much importance; the response is usually either that they are long-term investors or that trade sales are still possible (and from management's viewpoint may be more attractive in an uncertain world). The latter is usually admitted – but bravely described as a lull, than a dramatic downturn. "The MBO phenomenon has levelled off," says one firm, "and it may now be constant for a year or so."

> It is to the area's credit that a regional syndication market has developed which means that deals can by-pass London

Even so, in a competitive industry, new areas are being pushed to the fore. 3i, for example, is keen to stress its management buy-in programme. In the West Midlands alone, it has collected some 40 suitable managers, and, together with them, will look for buy-in opportunities.

And, in the venture capital world, bad times do not necessarily equate with bad news. Pressure on corporate margins can accelerate the spin-off/buy-out process, for example. One local venture capital group also notes that a crop of potential deals have just come in which, a year or so ago, might well have been "bankable". Recession may not have arrived, but if it does, this may not be the element hardest hit within the sector.

Nikki Tait

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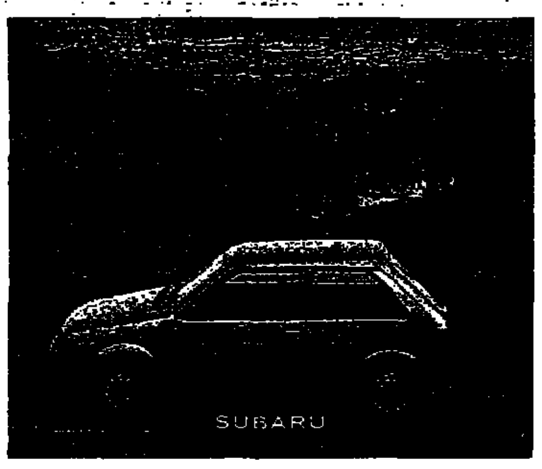

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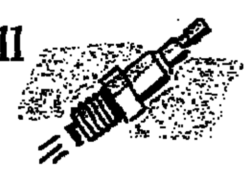

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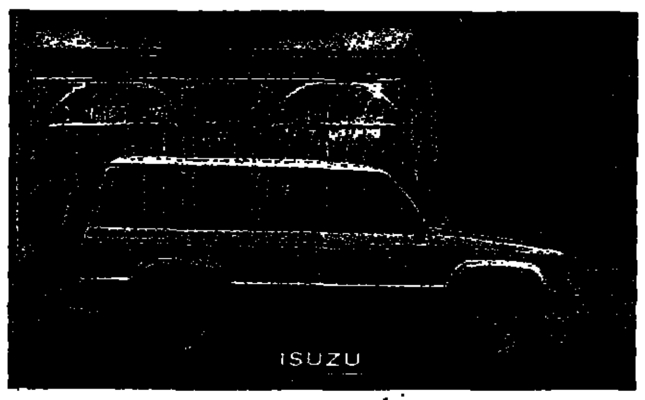

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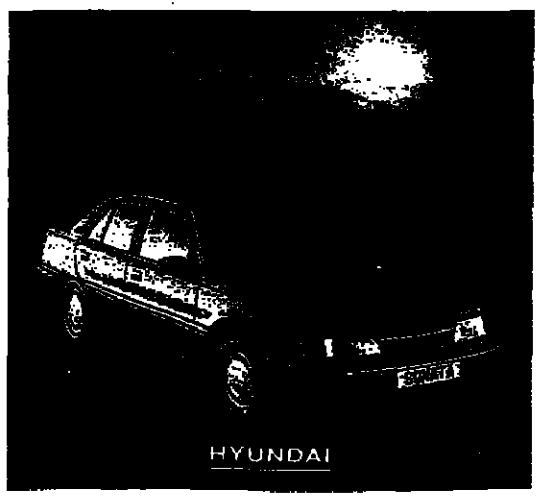

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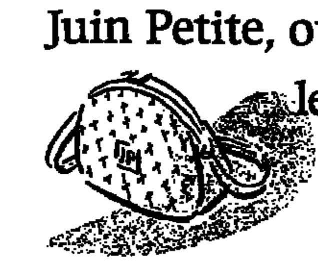

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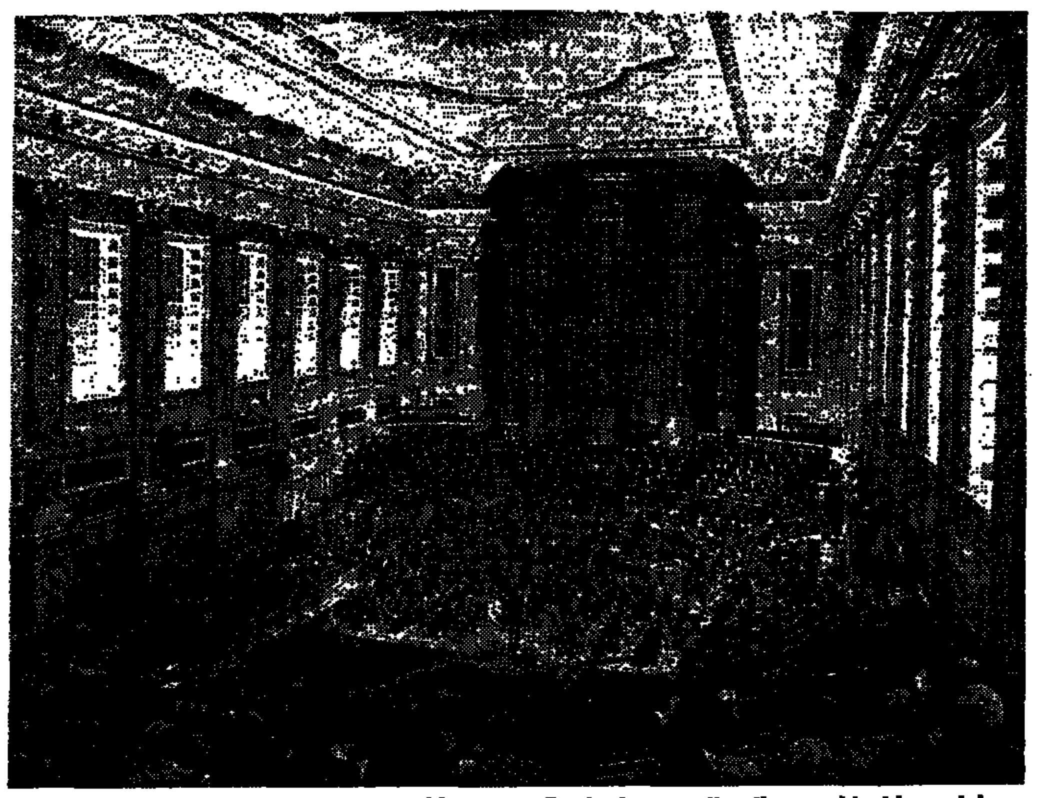
Nikki Tait on moves to exploit business tourism

An industrial theme to delight the day-trippers


Birmingham's symphony orchestra, led by Simon Rattle, is now attracting world-wide acclaim

TOURISM in the West Midlands is partly a matter of definition.

In a region dominated by an industrial past and a commercial present – rather than striking scenic splendours or lavish architectural experience – the conventional notions of camera-clinking Japanese or enthusiastic American coach tours are quickly dispelled.

"Tourism," says Mr Ken Jennings, travel trade manager of the Birmingham Convention and Visitor Bureau, "is simply a matter of servicing the business or leisure visitor market."

On this measure, the West Midlands has a certain amount to boast about. Birmingham, for example, is proudly displayed as the fifth most-visited city in Britain – ranking after London, Edinburgh, Oxford and Cambridge. The National Exhibition Centre says it attracted 3.4m visitors in 1988, a sharp rise on the 900,000 who found their way to the out-of-town site six years ago, or even from the 1.5m who called there in 1987.

Equally, the number of bodies passing through Birmingham airport has risen from 1.75m in 1984 to almost 2.9m last year, and the planned extensions to the airport promise further growth for the future.

Such statistics matter. The West Midlands may be Britain's industrial heartland, but the last recession has taught it that the region's prosperity is not impregnable in the face of serious fluctuations in the nation's economic climate.

Moreover, the general substitution of capital for labour makes new jobs as valuable here – male unemployment in many part of Birmingham, after all, runs to 30 per cent – as in Merseyside or Sunderland.

The number of jobs derived from the tourist industry in Birmingham alone has increased from 68,000 in 1985 to 73,000 in 1988, and is reckoned to rise even more sharply as the new International Convention Centre, together with various satellite developments, come on stream in 1991. Annual visitor spending is put at a chunky £300m.

But selling the West Midlands is not quite like selling Cornwall, say, or Cumberland. Much of the potential market is business-oriented – a natural spin-off from the NEC's proven success and, hopefully, to be reinforced by the ICC and new National Arena.

This, in turn, creates its own problems. It is a striking fact that while average overall occupancy in Birmingham hotels stands at some 58 per cent, the figure jumps to 74.5 per cent if one concentrates soley on the Monday to Thursday period. At weekends, on the other hand, occupancy slumps back to only 42 per cent.

More anecdotally, locals concede that when big shows are under way at the NEC, rooms cannot be found for love nor money in the city, and overspill visitors are directed to the more plentiful supply of hotel space in the vicinity of London's Euston station.

Conversely, there is a scheme which allows visitors to stay in some of the area's better hotels at weekends for just £22 a night, including breakfast.

This weekday squeeze may soon be rectified – at least, temporarily – if the gleamingly incongruous towers sprouting up across Birmingham's city centre are anything to go by.

The impending opening of the ICC has generated a minor boom in hotel buildings, with the likes of Novotel and Hyatt – not to mention a host of others – investing in new space. Some 3,500 new rooms, it is reckoned, will come on stream between by 1991.

There are gentler initiatives, too. Birmingham has recently "discovered" its old jewellery quarter – one of the few parts of the city which remains largely untouched by the road building or office development of earlier eras.

It is, as the name suggests, home to the jewellery industry which grew up in Birmingham, almost as an offshoot of the region's metal trade capacity.

More recently, steps have been taken to renovate many of the old buildings, in particular around St Pauls Square where Guardian Royal Exchange started funding office conversions in 1986. Although the original jewellery trade remains active, its new neighbours take in anything from fancy restaurants and wine bars to firms of solicitors.

Even here, however, there is a danger of taking a sound notion to unfortunate extremes. One official brochure selling the area – "the glory at the heart of England's garden is right here in the Midlands" – talks lavishly about "Birmingham's five quarters – definitely more than meets the eye."

Not least of these is the so-called media quarter, supposedly close to the convention centre site. Yet with Central TV, the regional television channel, and the Birmingham Post & Mail on different sides of town, and many of the PR/design companies heading for St Pauls Square, this seems, at best, to be a goal for the future and, at worst, plain fanciful.

But the industrial theme which runs throughout the West Midlands tourist sector is genuine enough, and one which spills down from the business customer to the individual leisure visitor market. Cadbury-Schweppes, for example, is due to resurrect in modified form its famed Bournville chocolate factory tours next year.

These were halted in the 1960s, partly because of the technical changes at the factory and the introduction of more sophisticated plant. Now the company is investing in a multi-million pound admission-charging visitors' centre, due to open next summer. There will be displays of the company's history and its products, together with a visitors gallery giving at least a glimpse of the inner workings of the factory itself.

It is a theme echoed elsewhere in the region. Stuart Crystal at Stourbridge, for example, offers a guided tour of its plant, demonstrating the various aspects of glass-making, as does neighbouring Coloroll Edinburgh Crystal, better known by its Thomas Webb trade name.

Perhaps the surprise is that more manufacturers, especially those at the heavier end of British industry, have yet to see the publicity benefits of such moves.

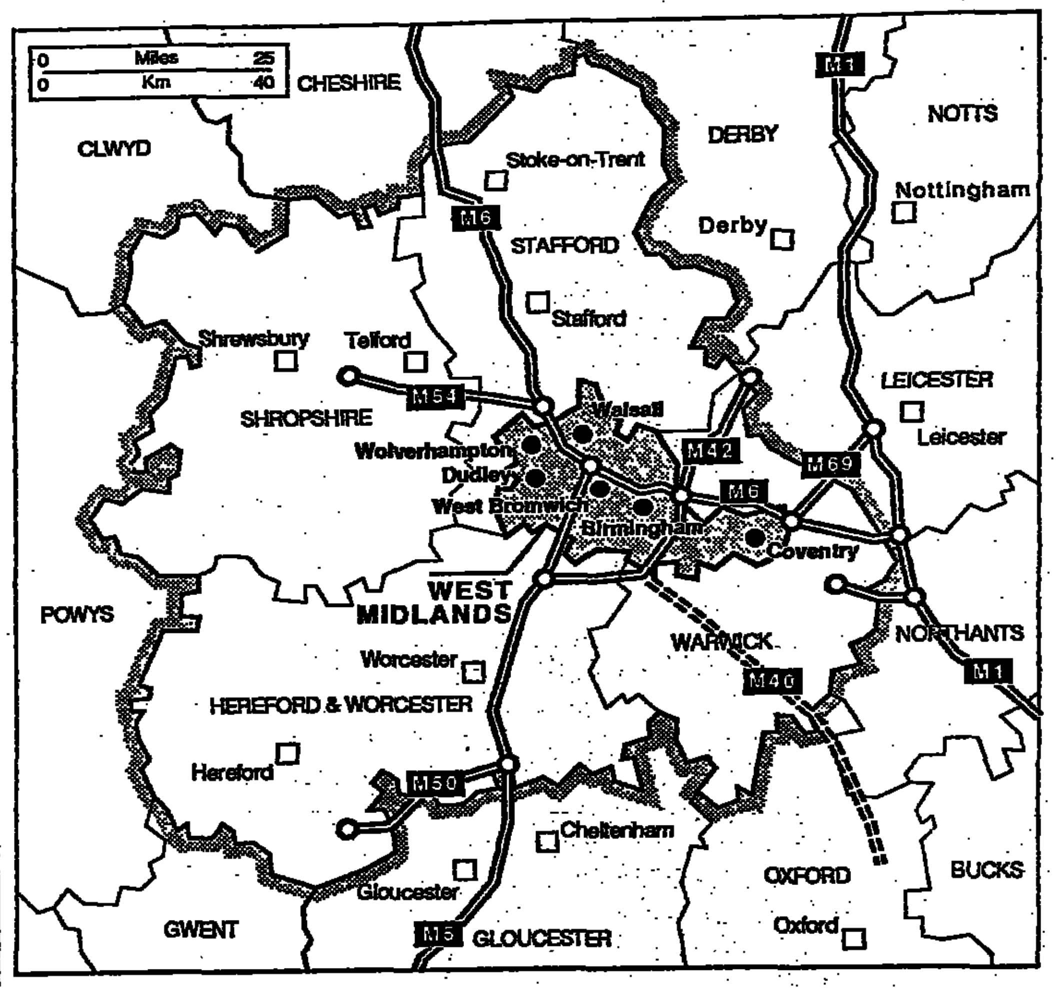
The BCVB says sadly that while visits to the region's motor plants, for example, can sometimes be arranged for business customers, there is no such facility for the general public.

The cultural attractions of the area are less easily sung. It may be a fact that Birmingham Art Gallery has the finest collection of pre-Raphaelite paintings in Britain, that Sadlers Wells is relocating to the city, or even that Sarehole Mill, rebuilt in the 1760s and now restored to full working order, is said to have inspired the young J.R. Tolkien towards Lord of the Rings, but even the region's most ardent enthusiasts would have difficulty pretending that the cultural merits of the region rival those of Milan/Lombardy, say, or Toulouse/Langedoc.

In fairness, many locals recognise this. "We have to sell to our strengths, and that's the activity which is going on here," says Mr Jennings, reeling off attractions like the recent Ryder Cup and the newly-rehoused Crufts Dog Show.

And it might be fair to add that such entertainment is dished up in far more relaxed surroundings than Britain's first city ever permits. Birmingham taxi-drivers even apologise when they hit a traffic jam.


Pace-setter: In recent years Birmingham has taken a lead in staging top grand prix events



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6.45 AM "POP CRACKLE SNAP!"
JOSIE WOLFE AGE 9
DAWLEY C OF E SCHOOL
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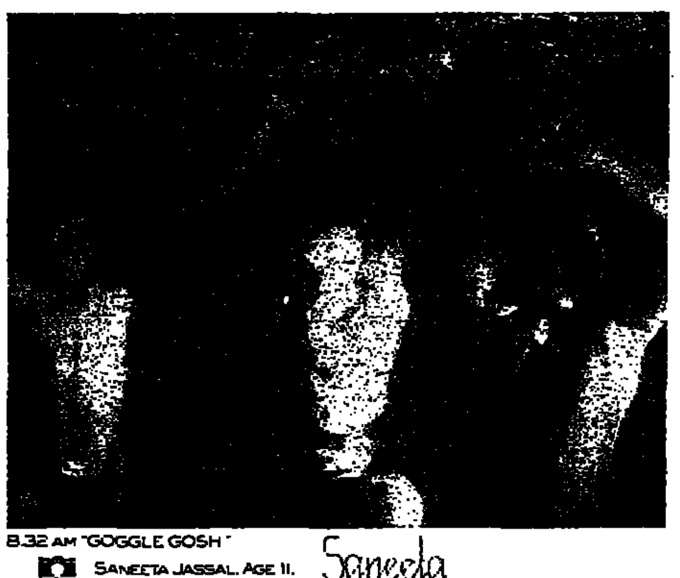
Josie


8.32 AM "GOGGLE GOSH"
SANEETA JASSAL AGE 11.
WILLIAM REYNOLDS SCHOOL TELFORD
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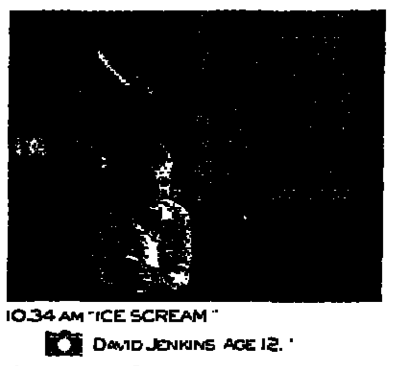
10.34 AM "ICE SCREAM"
DAVID JENKINS AGE 12.
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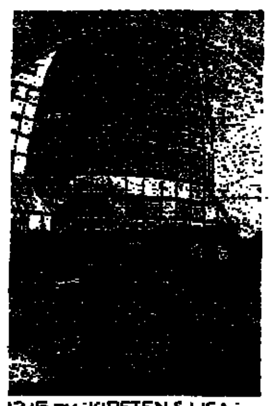
David Jenkins


12.15 PM "KIRSTEN & LISA"
LISA & KIRSTEN. AGE 14 MADELEY COURT SCHOOL TELFORD


2.57 PM "MUCH WENLOCK PRIORY AN ARTIST'S IMPRESSION"
EFFIE GIBSON. AGE 18
WREKIN COLLEGE. TELFORD.
Effie Gibson


4.03 PM "PETE THE PLASTERER"
RACHEL HARRIGAN. AGE 14
WROCKWARDINE WOOD SCHOOL
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Rachel x.


6.49 PM "STUMPED"
GARETH HOWELL AGE 14
PHOENIX SCHOOL
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Gareth Howell


8.55 PM LOOK WHAT I CAUGHT
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SECTION IV

FINANCIAL TIMES SURVEY

British companies are rushing to acquire a foothold in Europe as interest in advanced distribution techniques spreads. Regulatory difficulties remain, and adaptability to local conditions may be crucial in a market which will not be easy to crack. Kevin Brown reports

The road to integration

THE DISTRIBUTION industry remains highly optimistic about the prospects for expansion in Europe, but it is becoming increasingly obvious that the development of the market will not be easy.

The opportunities are clear, and they flow from the proposed completion of the European Community single market in 1992. Given the magnitude of the task, there is much scepticism within the industry about whether the process of integration will be achieved by the target date.

There is a growing realisation that the main issue is the political commitment to integration, rather than the pace of bureaucratic progress towards regulatory reform.

The distribution industry will benefit in a number of ways. The most obvious is cost savings from the deregulation of transport movements, which will improve profitability and lower entry costs.

The boost to the European economy, delivered by removal of barriers, will be an important source of new business

Significant progress has been made towards liberalising the Community regime for lorry movements. Progress towards the introduction of cabotage (operations within one Community country by a haulier based in another) is likely to take place shortly.

Mr Paolo Cecchini, in his seminal report to the European Commission on the implications of market integration, estimated that a similar programme of deregulation of the trucking industry in the US had reduced the direct costs of vehicle movements by 10 per cent. The report estimated the potential savings to European operators at 5 per cent, although this is regarded as conservative.

However, the boost to the European economy which will be delivered by the removal of frontier and other barriers will be a more important source of new business than changes in the transport regime.

This will work in two ways. First, there will be a general stimulus to demand estimated by Mr Cecchini to be equivalent to an increase in the Community's potential economic growth rate of 1 per cent a year.

But there is more to it than that. The distribution industry will also benefit from the increasing demands on both manufacturers and retailers to treat the Community as a single market.

This implies an accelerating trend towards a smaller number of manufacturing plants, and more cross-border distribution of retail products from central stockholding facilities. Both developments will require increasingly sophisticated distribution systems.

Many leading industrial companies, such as Philips, the Dutch electronics group which is the world's 22nd largest company, are in the process of rethinking their distribution strategy.

Mr Dirk Goedhart, Philips' managing director for corporate forwarding, says the group is closing some of its 200 factories and 75 distribution centres in Europe to reduce product lines and inventory duplications.

Alongside this simplification, Philips wants to move towards smaller shipment sizes and more frequent deliveries, shorter lead times, and more door to door distribution.

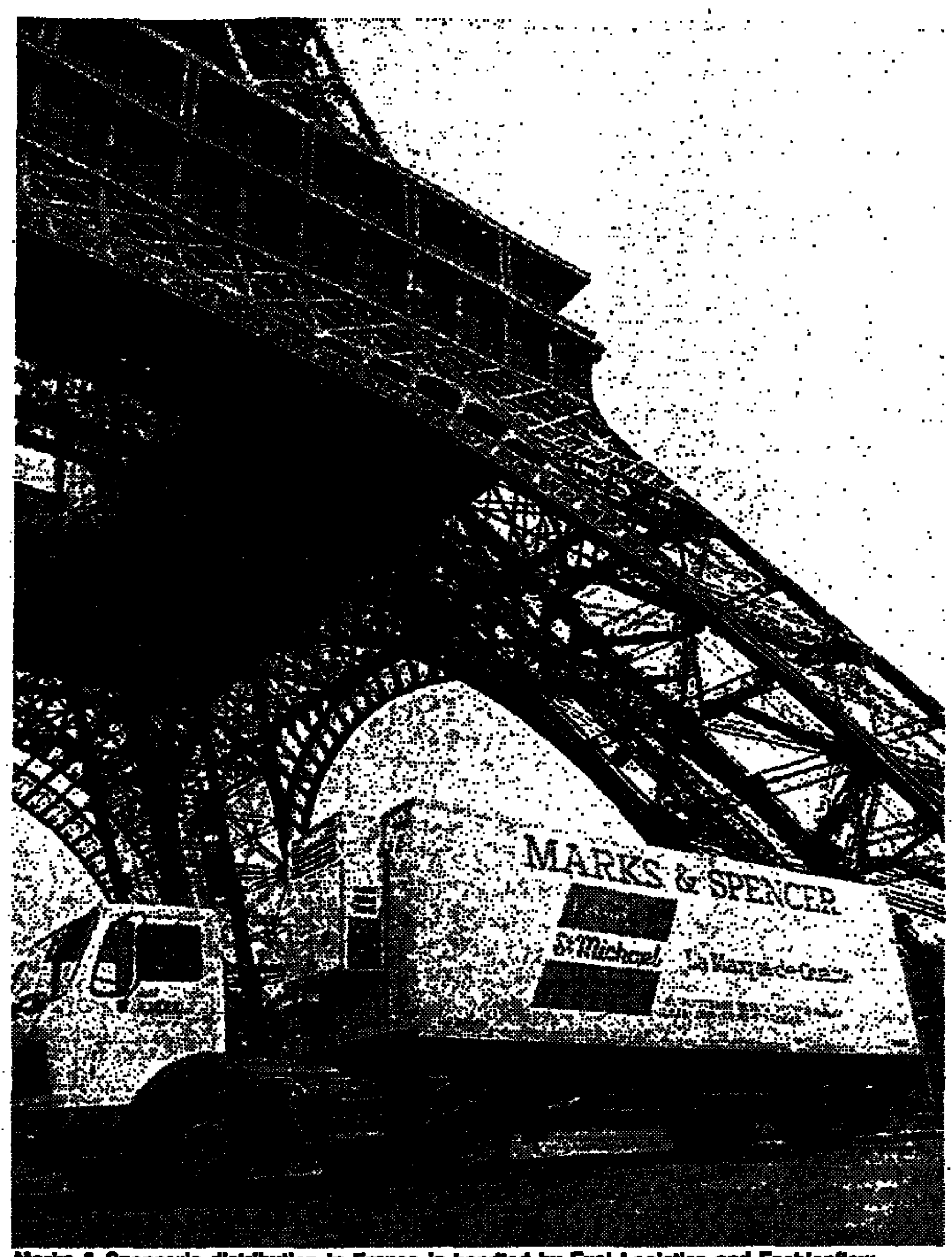
These are areas in which the relatively sophisticated UK distribution sector excels, but there are a number of clouds on the horizon. The first is that it is not clear how far the vision of companies such as Philips will be shared, particularly in the retail sector.

One of the principal reasons for the rapid development of the UK distribution industry has been a reduction in the number of retail outlets, particularly in the grocery sector.

As a result, the multiple stores which control more than 70 per cent of the British market have in many cases become more powerful than their suppliers, and have been able to take control of the supply chain.

The capital investment required for large central warehousing and transport fleets, together with the need for skilled logistics management and complex information technology systems, created an opportunity for specialist companies to step in to handle the multiples' distribution requirements.

The multiples also had a strong industrial relations motivation to contract out, especially in the climate of the late 1970s and early 1980s when specialist distribution companies were establishing themselves.



Marks & Spencer's distribution in France is handled by Exel Logistics and Fashionflow

DISTRIBUTION SERVICES

Contracting out meant that the problem of dealing with highly unionised transport workers was passed to someone else, and separated from the largely non-union retailing labour force.

At the same time, many manufacturers found that their in-house distribution operations were no longer viable, and withdrew from the industry to concentrate on core activities in production and marketing.

Many companies moved to contract distribution to obtain off-balance sheet financing as a means of increasing their rate of return on capital employed.

Many of these considerations do not apply to the continental European market. For example, the preponderance of loan capital rather than equity in West Germany means that German companies are less concerned than their UK counterparts about return on capital, and therefore less interested in off balance sheet financing.

West German companies are also inclined to keep control of as much of their operations as possible, including transport fleets and other ancillary services such as cleaning and catering.

Equally, there is less incentive for companies in many continental EC countries to contract out their distribution operations for industrial relations reasons. Labour relations on the Continent tend to be less confrontational than in the UK, and workers' rights are often enshrined in law.

However, the large constraint on the growth of contract distribution is likely to be the relatively undeveloped nature of multiple retailing in much of Europe.

A recent survey carried out for NFC, formerly the National Freight Consortium, indicated that retail multiples have only 50 per cent of the grocery market in West Germany, 45 per cent in France, 41 per cent in Spain, and 13 per cent in Italy.

The proportion of the distribution market accounted for by third party operators is correspondingly smaller: about 70 per cent in the UK, but only 15 per cent in West Germany and France, less than 2 per cent in Spain, and none at all in Italy.

There are other problems too. Where, for example, are distribution companies to find multi-lingual managers capable of running the complex logistics operations which will be required from regional warehouses supplying several countries?

NFC is showing the way here by recruiting management trainees in continental Europe. But this is bound to be a slow process, and will need to be followed by other companies if a cadre of logistics managers with a pan-European business culture is to be created.

There may also be technical problems to be overcome, especially for those companies specialising in distribution of industrial products such as chemicals and other bulk commodities.

This is clear from the results of research carried out by the Transport Studies Group of the Polytechnic of Central London, and released this month by Tankfreight, the UK's largest third-party distributor of bulk liquids, powders and gases.

Mr Mike Boddington, Tankfreight's European director, said the group's survey of more than 60 top manufacturers throughout Europe showed clearly that British companies would have to offer more than just competitive pricing to win business.

"Quality assurance procedures, safety record, electronic data interchange capabilities and integrated support resources were listed as being equally if not more important than price," Mr Boddington said.

For all these reasons, developing the European market will require determination, and possibly deep pockets, as well as the expertise which UK companies have shown in the domestic market.

Many companies, such as Wincanton, Rockwood, P & O European Transport, Christian Salvesen, TNT and Federal Express have already taken the plunge by acquiring small European companies around which to base a Continent-wide operation. But others have been more cautious, wary both of committing resources too quickly, and of the variable quality of some of the target companies which are available.

The distribution industry will benefit from the increasing demands to treat the Community as a single market

For example, Exel Logistics, the distribution arm of NFC, has only recently turned its attention to Europe following rapid expansion in the US, including the recent acquisition of Distribution Centres International.

NFC, of course, had a somewhat bitter exposure to continental Europe some years ago, when it was forced to pull out to end mounting losses. But the serious purpose with which Exel is pursuing its European strategy was spelt out by Mr Robbie Burns, Exel managing director, when he announced the appointment of Mr Mark Bedeman as full-time European development director.

"Mark's European development role becomes even more important after our recently announced acquisition of DCI in North America to make us the largest operator in the US," Mr Burns said. "We must now achieve similar critical mass in Europe before 1993. Mark's role is vital to the success of our plans to become a leading world logistics player during the 1990s."

Mr Bedeman himself says the company has only just begun looking for acquisitions after completing a long period of research, and stresses that it is still considering the options carefully.

"We are not going to pay a lot of money. We are looking for small companies that we can develop, and we are approaching this with a great deal of caution. We are not going to be rushed and we are not going to make mistakes," Mr Bedeman says.

Exel is also seeking to develop organically in continental Europe by encouraging companies to see the advantages of contracting out. Not surprisingly, the first breakthrough was with Marks and Spencer, a British company with which NFC works closely in the UK.

Until September, M&S served its eight French stores from its own warehouse in Aulnay, near Paris. But distribution is now handled by Exel and Fashionflow, another NFC company, from a composite warehouse at Evry.

Talks are going on with several West German, French and Spanish companies, but so far only one firm contract has emerged – handling distribution for Galerias, a leading retail multiple with 30 department stores throughout Spain.

Mr Tom Brown, Exel's planning manager responsible for project co-ordination, says the Spanish market offers tremendous potential for expansion.

"There are some areas of business with no distribution experts as we know them – especially in the central regions. As the economy grows and Europe deregulates, the demand for services such as ours will increase dramatically."

This judgement is almost certainly correct, but most commentators agree that it will be essential for companies to remember that wide cultural differences will remain in Europe even after 1992.

Mr Reg Bailey, the partner responsible for distribution services at Peat Marwick McLintock, the accountants and management consultants, goes further. He says development strategies must not attempt growth by ignoring existing operating practices.

"It has been said that after 1992 Europe will be considered as a single market, just like the US. But within that market there will still be national and regional differences in tastes and customs. So just as companies should not try to attack the whole of the US at the same time, it is worth remembering that Europe should be looked at in the same way," Mr Bailey says.

"Like any marketing effort, it should be focused. Companies will need to identify specific areas for development in Europe. To develop those areas, knowledge of the market and strong local management will be essential."

According to Mr Bailey, the most successful companies, at least in the short term, will be those which find ways of controlling the existing distribution system rather than trying to change it.

"For example, it will still be necessary to sell via a wholesaler if one is seeking to penetrate the West German electrical market. However, that German wholesaler may not need a regional distribution centre in each country, but may in future prefer to operate from a northern and southern European distribution centre.

"The point is that if the distribution channel is to be changed, the change will come from within the market, with local people operating the domestic system within the framework of a strategy that has been formulated internationally."

CONTENTS

Editorial production: Phillip Halliday

The trainferry service is operated by the Nord Pas-de-Calais using new generation wagons with a payload of up to 53 tonnes each

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SETTING THE PACE IN TRAILER RENTAL

Tiphook◆plc

Express and courier companies are in demand

Shippers look for high control levels

WHY SHOULD a transport service which was originally designed for documents, be suitable for freight.

The reason is that more companies are starting to ship their goods as single items rather than in bulk – as part of a strategy to cut their inventories. If individual parts are delivered just moments before they are to be used, a company will save money spent on storage as well as freeing capital which had been tied up in stocks.

However, businesses which follow this "just-in-time" strategy leave themselves vulnerable in the event of a lost or delayed consignment. Express and courier companies on the other hand, have such a degree of control over each shipment that they can offer the service these shippers require.

The largest express companies such as DHL, Federal Express and TNT own worldwide networks and operate their own airlines and fleets of vans. Smaller express operators may not have such an *extensive network but they* can still keep their hands on a consignment right through from collection to delivery because they specialise in a particular route or market segment. "Our customers are buying reliability not express," says Mr Brian Fitsall, managing director of DHL's UK operations.

Mr Paul Meierhans, logistics and customer service manager Europe at Du Pont de Nemours, a multinational which spends $50m a year on express services, emphasises that his company can only reduce stocks if it has reliable deliveries: "We look at express as an exceptional and special service which we use to cover up problems in a similar way as we use inventories to cover up problems."

Cargo carriers admit that express companies have redefined the airfreight market. "It's no longer a question of weight and price," said one airline cargo manager, "it's an issue of convenience and reliability." Airlines are fighting to claw back market share. Many offer what they call an express product. But they rarely control shipments all the way from door-to-door and usually *hand over the shipment* to another party, such as a freight forwarder, at some stage in the delivery.

The airlines still believe they can compete effectively in this market because income from passengers gives them a lower cost base than the express companies. However they have lost a lot of ground in a short time. American Airlines calculates that freight forwarders had an 8 per cent share of the US fast parcels market in 1988, down from a level of 34 per cent in 1978.

XP Express Parcel Systems, a division of the Australian express operator TNT, has estimated that 60 per cent of its UK business comes from sources that traditionally would have used freight forwarders. In a few years the company predicts this proportion will rise to 80 per cent.

It is the Japanese who have been leading this trend for reducing inventories. According to Mr Patrick Lupo, chief executive of express company DHL, a typical Japanese company takes two months to manufacture and despatch an order whereas an American or European company takes three times as long. For every day of time saved in this way, a company can reduce it s working capital accordingly.

Mr William Wheeler, a logistics consultant who is partner at the Boston office of Coopers & Lybrand, the accountants, says lead times in some cases have been brought down to the order of minutes. He cites the example of AT&T which used to take a total of 16 days to manufacture a telephone at its Louisiana plant. It now takes one hour and 30 minutes.

Large express companies own global networks with airlines and fleets of vans

High-tech companies have been among the first to use express services as a means of distribution. They generally have the most to gain because their products are high in value yet are low in weight and easily transportable. Fashion retailers also benefit. They do not carry high stocks of clothing which could easily become obsolete if fashions changed.

Data General, minicomputer manufacturer, is one example of a company which recently introduced a distribution strategy made possible by the services of an express operator. Within eight months it had cut stocks held in Europe and the Middle East by a third which saved millions of dollars.

Data General is based in the US but it needs stocks of spare circuit boards close to its European customers in case a machine breaks down. A delay in carrying out a repair could cost a user, such as an oil company, millions of dollars a day in lost production.

To support its field service organisation, Data General has to carry a large number of different types of circuit boards. Until three years ago it held this stock, worth $18m, in a Frankfurt warehouse where it employed 130 people. The company realised this was highly inefficient. The central stock was always in the wrong place and had to be handled twice on its journey between factory and customer. In addition, the warehouse was bonded, which added a heavy administrative burden.

Data General at first tried holding its stock in its US plants which was then shipped directly to its 14 subsidiaries in Europe and the Middle East. However, the company had lost most of its staff with specialist shipping knowledge when it shut its warehouse. As a result many shipments were lost or delayed. It became necessary to order three weeks in advance and in one year inventories rose by 25 per cent.

Eventually, Data General decided on a distribution strategy in which a low level of stocks were held by each subsidiary. It developed a computer program which could search every inventory in a matter of 20 minutes to locate the nearest source of a particular spare part. The computer then automatically gave an order to replenish stocks.

Data General's European logistics manager, Mr Christopher Gilbert, reviewed tenders by 20 large freight companies who offered to provide the transport end of the operation. In the end he decided that only express companies offered the services he needed, and he chose DHL.

Mr Gilbert was looking for a carrier which could make fast deliveries. *But, just as importantly*, he required a carrier who could deliver a package from door-to-door and guarantee the delivery time. This way he could have enough confidence to operate with minimal stock levels. He knew that the savings possible would more than justify the cost of a very reliable delivery service. "There's so much margin in this equation," he said.

To emphasise this, Mr Gilbert once brandished a cheque for $40m in front of an audience of executives from express companies. He told them: "Think service, not cost. It is immaterial whether you charge $100 or $1,000 per shipment. Nor does it really matter if you lose the board, so long as you recognise the fact and tell the customer."

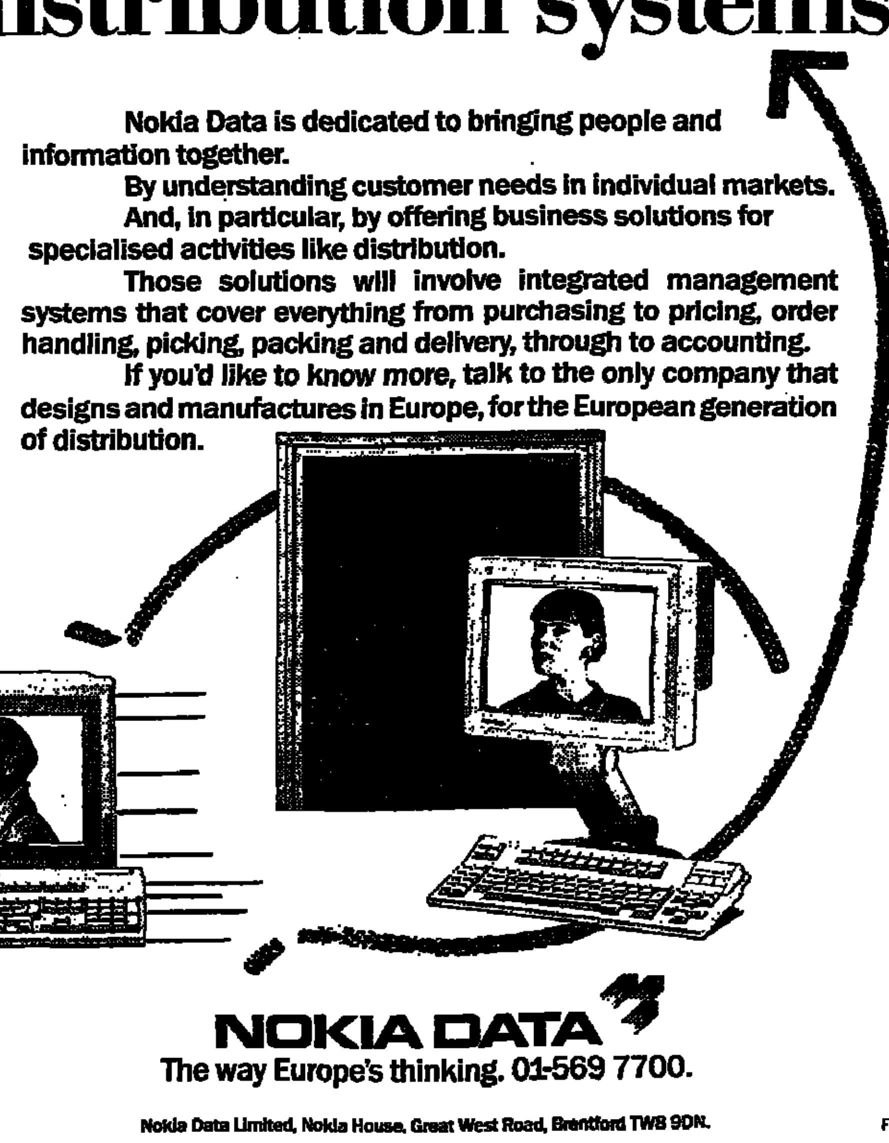
Some express operators have started to tread on the toes of traditional distribution companies. Many operate central parts banks near their hub on behalf of customers.

Federal Express set up Systemline, a contract distribution division in the UK in 1986. Systemline now has 30 contracts and is expanding onto mainland Europe.

In November 1988 Systemline took over UK distribution for Motorola, a semiconductor manufacturer with four factories dispersed throughout Europe. Federal Express has connected its computers to Motorola's so its customer can track the path of each consignment.

Shipments are collected from Heathrow at 5 am. These are taken to Systemline's warehousing in Northamptonshire where they are consolidated and delivered the next day. By introducing this distribution system, Motorola reduced transit times. "Time is money in terms of stock," commented Mr Herman Ebner of Systemline.

John Lowry



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Phillip Hastings examines the uncertainties about road transport restrictions

Weighty problem of size regulations

THE CONTROVERSY over the maximum size of lorry which should be allowed on UK roads highlights the increasing complexity of modern day distribution operations, particularly those involving European international transport.

In theory, the advent of the single internal market should help to simplify distribution activities by standardising equipment requirements, abolishing restrictions such as the quota systems for transmitting road vehicles imposed by some European countries and generally reducing barriers to trade.

In practice, the run up to 1992 is causing even greater confusion for users and providers of distribution services as they struggle to work out exactly how regulations will be changed and when.

The problems were summed up by one of the contributors to the NFC Contract Distribution (now Exel Logistics) report for 1989 which looked at the general subject of managing the European supply chain.

In theory the single market should help to simplify distribution activities

"In physical distribution terms, we welcome the intention to allow free movement of vehicles within a substantially deregulated market. However, we ask how can we plan now with precision the necessary logistics resources when we are blind to the legal and administrative regime we face?" the contributor asked.

Examples of areas of uncertainty on the road transport side include the question of whether advent of the internal market will make it possible to completely liberalise such operations. Will national interests, for instance the UK's opposition to 40 tonne trucks, make that impossible? And what will happen to pallets because the UK is on a different pallet size to most of Europe.

In the former context, recent moves by the Commission to put a time limit on the derogation which allows the UK to retain 38 tonnes as the maximum weight for commercial vehicles on its roads highlight two contrasting aspects of the drive to harmonise and liberalise European road transport operations.

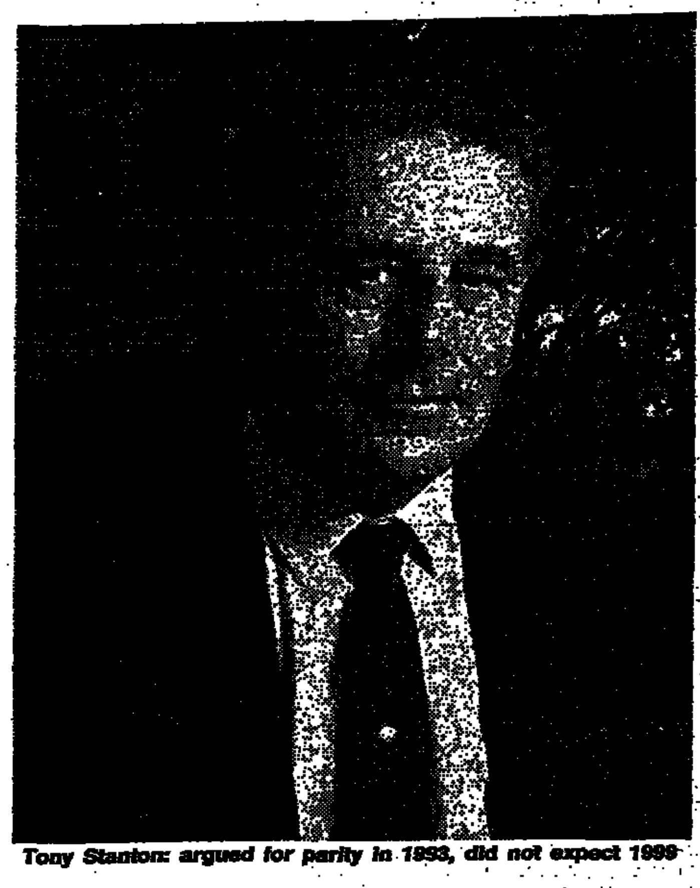
On the more positive side, the latest EC moves show that some progress is being made towards establishing a common road transport policy throughout the Community. Less encouragingly for distribution service users and operators is that the 1999 date being mentioned as the deadline for changes in the UK shows that achieving all the objectives of EC road transport policy looks certain to take considerably longer than the next four years or so.

The 38 tonne limit on articulated vehicles in the UK and the Republic of Ireland puts those two countries out of step with all EC countries where the maximum gross weight is generally 40 to 44 tonnes. The limit of 32.5 tonnes for drawbar units in the UK and Ireland is even more out of line with the rest of the EC where again the maximum weight allowed varies from 40 to 50 tonnes.

Not surprisingly, freight transport operators are keen to see the UK move into line with its EC neighbours as soon as possible. That point was emphasised by the Freight Transport Association when it responded to news of the UK Government's continuing opposition to the early introduction of a 40 tonne limit. This stance apparently prompted by general environmental considerations and the need to strengthen many bridges to take heavier vehicles.

"We and the European Parliament argued for parity with the rest of Europe by 1993. The Commission proposed 1996. Never, never did we expect 1999. By that time, with 40 tonnes, we could have had between 5,000 and 6,000 fewer vehicles on the road to do the same amount of work," commented Mr Tony Stanton, FTA president, when he opened the association's 1989 conference in Torquay in September.

The UK distribution industry was pleased by the announcement that the Government has decided to allow 13.6 metre semi-trailers to be used for domestic work as well as international operations from January 1, 1990. This is a year earlier than planned.


Tony Stanton: argued for parity in 1993, did not expect 1999

The present limit is 12.2 metres. The limit for articulated vehicles incorporating trailers will also be increased from the same date to 16.5 metres. The decision to bring forward the changes should make it easier for road transport operators to go ahead and order new equipment.

In practice the run up to 1992 is causing even greater confusion for users and providers of distribution services as they struggle to work out how regulations will be changed and when

The UK is ahead in other areas of road transport operation. The transport market in the UK is, for example, completely deregulated, contrasting with the more controlled markets of countries such as West Germany. In that context, much work still has to be done to sort out the question of road transport permits which allow hauliers to operate internationally.

The quota system, argue opponents of the idea, allows states, such as West Germany, to protect national interests while other countries adopt a more liberal attitude. Similarly, a number of EC countries are reluctant to move rapidly towards liberalisation of cabotage – where non-resident hauliers carry out national transport operations within other EC countries.

That development, claim organisations such as the FTA, would improve efficiency and heighten competition among transport operators. The FTA suggested that in order to make progress on cabotage, moves should be made towards bilateral arrangements between different states in advance of cabotage liberalisation on a Community-wide basis. The suggestion comes against the background of growing fears in some quarters that the single market will cause upheaval in the European road haulage industry.

Supporters of that case claim that up to 30 per cent of the international haulage trucks seen on continental roads are empty because they are travelling to or from markets where they do not have licences to operate.

After 1992, restrictions on where hauliers can operate in the Community should be removed. That, some observers fear, will almost certainly lead to over capacity in the European haulage industry, with falling rates and many companies going out of business. The Commission is trying to get European governments to issue more haulage licences each year in the run up to 1992 in a bid to make the changes more gradual.

Where does all that leave manufacturers and other organisations looking to move goods by road within the EC? Increasingly, it appears, they will opt to hand over such problems and the general running of road transport distribution activities to third party specialist contract distribution companies and then jointly develop operations from there in conjunction with locally based organisations in the countries concerned.

Uncertainty over future EC market and legislative requirements looks likely to further accelerate the growth of European road transport equipment rental and leasing over the next decade.

TIP Trailer Rental argued that where there was change and uncertainty, there would be opportunity for rental, adding that "depreciating assets in an uncertain world did not make commercial sense."

There were signs, the company said, that countries would continue to favour indigenous manufacturers and operators. "While some countries are struggling to catch up to the EC proposals, others are pushing the boundaries further in terms of higher weights and longer lengths. The result will be a series of bilateral and trilateral agreements between various member states."

Longer vehicles will soon arrive in Britain. **Anne Hunter** assesses their impact

Bigger trailer pleases rental sector

THE UK Government's recent decision to allow articulated vehicles up to 16 metres in length on UK roads from January 1, 1990, will have a significant impact on this country's trailer industry and transport operators.

For box trailer operators carrying dry goods such as food and parcels, the additional length will bring a 12 per cent increase in cubic capacity (cube) representing a considerable gain for this type of operator who, on current trailer lengths, generally tend to "cube out" (fill trailer space) before reaching the legal weight limit.

Demand for the extended length trailers from this sector is likely to be high and in anticipation of the legislation which will bring the UK into line with Europe, manufacturers are geared up to meet the technical requirements.

High demand for the longer trailers however, could increase the level of obsolescence in the fleets of the large trailer rental companies although neither of the two European market leaders, TIP and Tiphook, appear concerned about this.

Conversely, they view the planned legislation positively and believe that it will stimulate trailer rentals. Central Trailer Rentals (CTR), Tiphook's trailer rental division with 17,000 trailers, says that the length extension proposal has brought "a surge of enquiries" from hirers.

Tiphook believes that immediate demand for longer trailers will be tempered by the continuing restriction on weights in the UK where the 38 tonne limit is being retained until 1999.

In spite of pressure from the transportation industry, the Government said that it would not introduce the 40 tonne limit, legal in most of Europe, into Britain until 1999.

At BRS just one year after its move into trailer rental, the company is planning to invest a large proportion of its budget into longer trailers. The company has concentrated on niche marketing and targeted specialist areas such as oil construction, petrochemicals and construction with investment into tanker trailers, tippers and extended trailers.

An investment of £100,000 was laid out for two specially designed trailers for the carriage of B747 air cargo containers. They are equipped with automatic loading and scissor lift systems with roller bed flooring and are considered by BRS to be the most expensive pieces of equipment on the trailer rental market today.

There are some 500,000 trailers on European roads of which about 80,000 are on contract hire rental. TIP pioneered trailer rental in Europe in 1966 and a year later in the UK. TIP's 18,000 trailer fleet represents 25 per cent of the European trailer rental market.

While manufacturers have seen a downturn in truck and trailer sales in the UK over the past three months, any implied reduction in road transport activity has yet to be reflected in hirings at TIP which has expanded its fleet by 80 per cent in the past 18 months and has enjoyed high growth during 1989.

TIP and Tiphook feel the planned legislation will stimulate trailer rentals

The company believes that uncertainty in both the future of the economy in Britain and in the timing and extent of the legislative changes anticipated in the build up to 1992, are likely to stimulate increased growth *in the buoyant trailer* rental industry. Companies will choose to rent rather than make the capital outlay for purchase in these uncertain times,

Meanwhile, changes in accounting and taxation procedures in recent years have increased the appeal of rental over purchase.

In the past, with 100 per cent capital *allowances* for purchased assets, there were strong arguments for trailer purchase. Since then, allowances on purchased goods have been reduced to 25 per cent and trailer rental became the new, cost effective choice for many transport operators.

Mr Jim Cleary, TIP chairman, is bullish about the bright future for trailer rental and for TIP after 1992: "With our 20 years of experience we have become more certain of our business at a time when our customers will be less certain of theirs and this itself will lead to more rental than purchase," he said.

The TIP confidence in the future of the industry is confirmed by an independent survey of the European trailer market which indicates that between 10 and 12 per cent of all trailers in Europe, will be rented by the mid 1990's.

The company forecasts that trailer rental growth over the next five years will be between 15 and 20 per cent. "The proportion of trailer rentals in Europe could be as high as 30 per cent by 2000, which would bring European trailer rental usage levels into line with the US."

Recent trailer design and manufacturing developments which improve reliability and increase efficiency, include air suspension.

This is being adopted by more companies particularly in Europe where certain governments offer tax concessions for the installation of air suspension because it is more "road friendly" than traditional suspension systems.

The search continues for alternative spring and spring arm materials with carbon fibre emerging as a likely material for future use. Braking performance attracts constant attention. Anti-lock systems are commonplace while disc brakes on trailer axles are under examination.

Trailer design is no more critical than in food operations and the design of temperature controlled vehicles. This group has been subject to growing pressure for design improvements and greater control, with growing incidence in the number of salmonella and listeria outbreaks.

BRS is planning to make a large investment into longer trailers

In advance of the food contamination alarms this summer, BRS in May became the first trailer rental company to instal ozone generators into their refrigerated trailers, known as reefers.

The generators emit small quantities of ozone into the refrigerated *compartment* where it kills any airborne bacteria such as listeria and salmonella.

The Ministry of Agriculture Fisheries and Food (MAFF) is looking at legislation for a greater isolation between temperature controlled products. There is a move underway to separate chilled produce into two types demanding two different temperatures rather than one temperature for all chilled goods which is acceptable at present.

Christian Salvesen, the European market leaders in temperature controlled distribution, operates single and multi-temperature controlled trailers with services tailored to the specific needs of large retailers such as Marks and Spencer, ASDA and J Sainsbury.

The company believes that further isolation of temperature controlled produce coupled with the trend towards regional distribution centres, will give rise to an increased demand for multi-compartment temperature controlled trailers.

The most significant and still unique innovation on this front in the UK came three years ago with the launch of Six Pak, the multi-temperature joint venture product of Tidd Strongbox and Glass Glover *Distribution.*

Six Pak offers six lanes each with their own independently controlled temperature so that chilled, frozen and ambient produce can all be carried on the one vehicle. *Loading* and unloading of the roll pallets is computer controlled by the driver who has use of an automated lift.

Littlewoods Stores have been Six Pak's first large customer and that company is committed to increasing its use of Six Pak vehicles and other large food retail chains are showing interest.

A Mark Two Six Pak model is on the market. Mr Neil Dick, Managing Director of Tidd Strongbox, said it reflected the operating experience gained with the prototypes and incorporates a more efficient refrig*eration system and a greater* computerised control facility.

In the UK, three main manufacturers retain a combined 75-per cent market share of the trailer industry. They are Crane Fruehauf, York and Carry Master. Their European counterparts include Van Hool in Holland, Lamberet and Trailor in France, Schmitz, in West Germany and Fruehauf, probably the largest *European* trailer manufacturer.

Applied technology is an integral part of trailer manufacturing following the innovations of companies such as Crane Fruehauf which pioneered the introduction of anti-lock braking systems as standard on all its products, the first use of robotics within the manufacturing process and the introduction of comprehensive computer-aided design facilities.

However, skill in design engineering and manufacturing is only a part of any successful trailer manufacturer's total service. Outlining the Crane Fruehauf approach to customer needs, Mr Barry Fiske, sales and marketing director, compared the situation 30 years ago when trailers were hand-built with components tailored to the individual unit. It was virtually unheard *of then, said Mr Fiske, for big* parts to be ordered as replacements.

Today, parts supply and back up support systems are essential to ensure that operators can keep their fleets up and running cost effectively. "We now have computerised parts systems and flow line production offering genuine replacement parts from mainbeams to header rails to body panels, all of which can be ordered from a part number," says Mr Fiske.

TIP pioneered trailer rental in Europe in 1966 and a year later in the UK

In the UK, Crane Fruehauf has established a network of 12 branches to cover the country with a before and after service. A fleet of fully equipped and stocked parts vans provides a scheduled visit to all customers as well as providing a 24-hour emergency service for components when vehicles are down.

The company has a network of over 400 service and parts *facilities* throughout Europe. While maintaining the highest possible standards in trailer design and manufacture, it is the value added service aspects that Crane Fruehauf believes will give it the leading edge over cheaper, foreign trailer imports.

According to Mr Fiske, many of these imports are manufactured with the help of govern*ment subsidies*: "They are shipped to the UK often across thousands of miles, and offered for sale at prices well below what UK producers can manufacture for," he said.

But there is often no back up for these products either in parts, maintenance or warranty. What may seem a bargain at may turn out quite the opposite when it comes to keeping it working.

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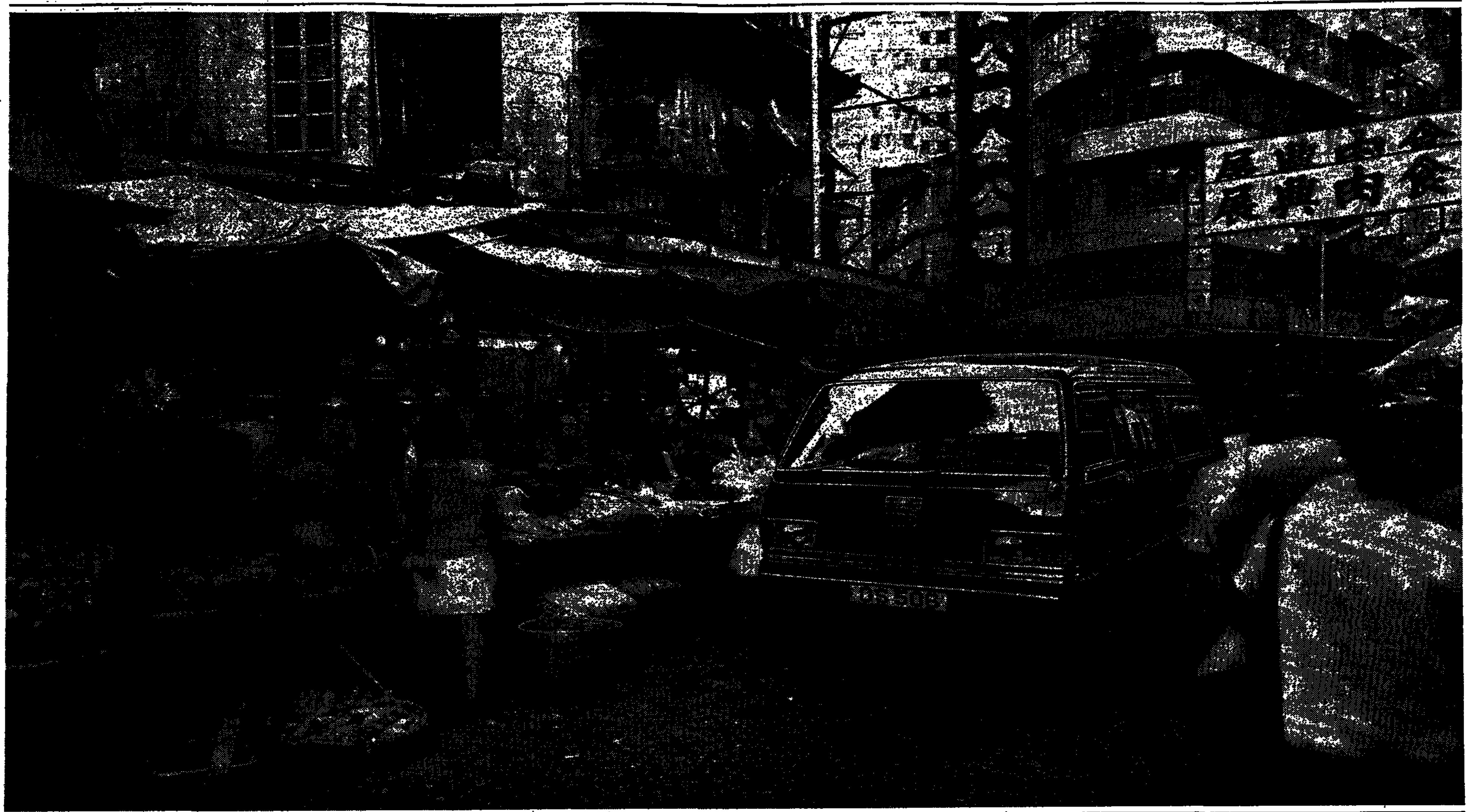

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Phillip Hastings ponders the passing of the old-style freight forwarder as agent

Demise of the middleman system

THE FAST changing face of the UK freight forwarders industry was highlighted in July when the trade organisation which traditionally represented the industry's interests launched a new identity and expanded membership structure.

The former Institute of Freight Forwarders has now become the British International Freight Association (BIFA) as old demarcation lines between the various sectors of the freight and distribution sectors rapidly disappeared.

Membership qualification has been widened to include all companies involved with the movement of freight who meet specified criteria for ordinary or registered trading membership. As a result, BIFA hopes to double its professional membership from 4,000 to 8,000 individuals over the next two years and increase corporate membership from about 670 to 1,000.

The advent of BIFA is in part a reflection of the fact that old style freight forwarding, where the forwarder functioned as an agent booking transport and handling documentation for customers, is being overtaken by the worldwide trend towards more sophisticated distribution and logistics management systems. Customers increasingly want more than what was in many cases an agency middleman service.

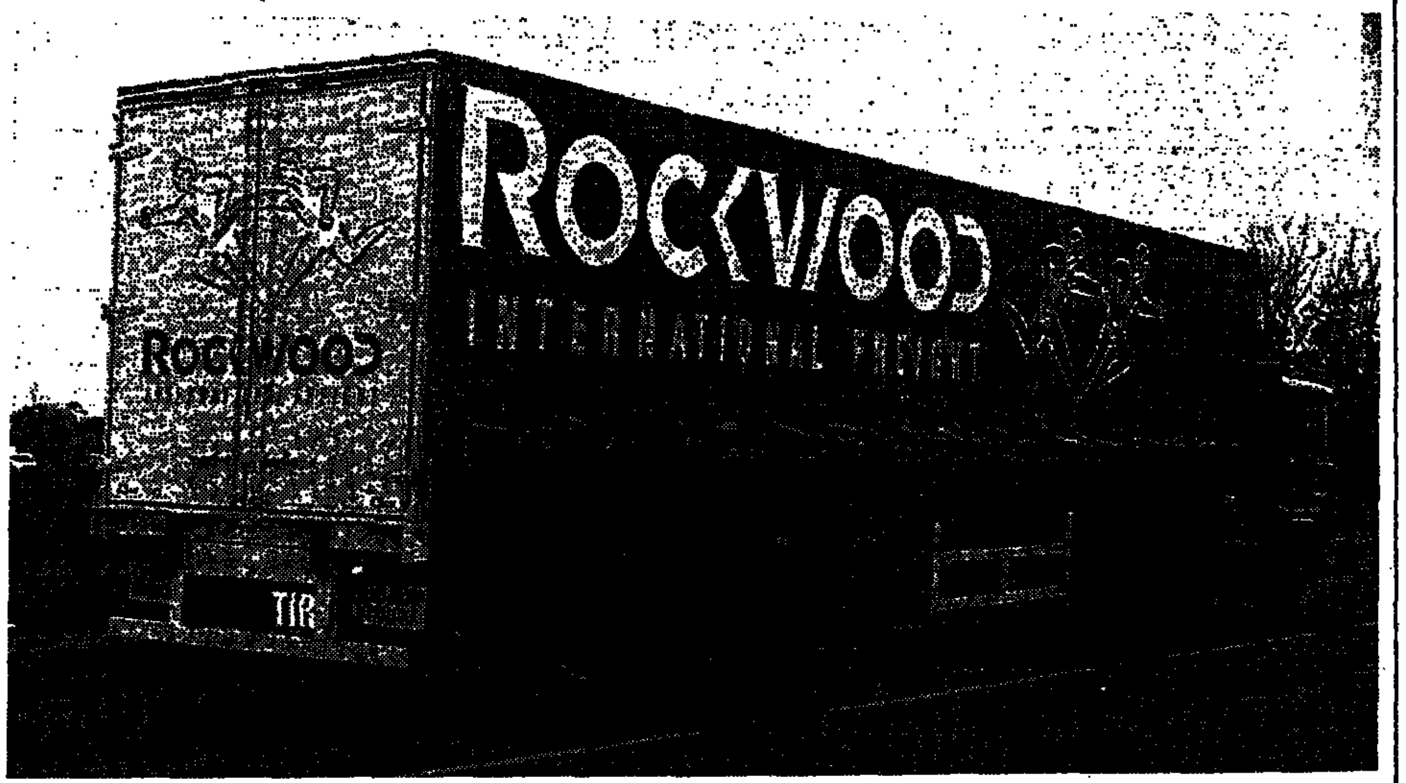
Mr Jim White, BIFA director general said: "The future of the freight forwarding industry is secure provided that service companies can deliver value added benefits for their customers over and above the straight transportation of their goods.

"Areas included in that category are full distribution capability on a floor to floor basis, inventory control, order picking, etc, plus the application of EDI (Electronic Data Interchange) technology to provide consignment status reporting to meet the requirements of Just In Time distribution systems and so on."

To help members develop that EDI capability, BIFA has launched Freight Forwarders Network (FFN), a system which should enable members to become fully functional for EDI at a cost of hundreds of pounds rather than thousands.

The system has been developed in conjunction with Export Network, an information technology services company, to offer both store and retrieve mailbox facilities and a store and forward option. FFN system users will be offered software which will enable them to send and receive EDI messages. This will include, it is planned, communication with their overseas agents and partners via the SITA network, which offers dataprocessing to the airline industry.

This system will enable smaller forwarders to compete in the international arena at reduced costs. "That is important when you consider that 50 per cent of our members employ 10 people or less," commented Mr White.



Rockwood International Freight: wants to offer a complete distribution chain from coffee beans in Brazil to UK supermarkets. In the Netherlands: Nedlloyd operates 280 trucks and 400 trailers

While on the one hand the need to find the resources to support information technology development is posing a threat to many smaller or slower moving forwarders, the advent of that technology is creating the opportunity for some well organised medium-size operators to compete successfully with the very large multinational organisations.

By developing information technology systems which link in with those of their overseas agents and partners, the medium-size companies should in theory be able to offer virtually the same levels of control and information reporting as larger forwarding groups with their own worldwide network of offices.

"It is not good enough that we can send telexes to each other via our screens and transmit documents by fax. The challenge is to have mainframe communicating with mainframe," said Mr Philip Stephenson, joint managing director of Davies Turner, one of the UK's leading forwarding companies.

Not surprisingly, Mr Stephenson and other forwarders see the planned single market as another large threat and opportunity for freight forwarders. Already, they point out, the pace of mergers and acquisitions has accelerated as the multinational groups fight to set up continental networks.

The traditional freight forwarder whose main services lay in handling export and import documentation as much as in physically transporting the goods is threatened by the growing liberalisation which will change customs clearance procedures and the profits to be derived from them, claimed Mr Stephenson.

Forwarders will have to offer much more in the way of added value services. They will have to take on more of the activities that they previously sub contracted out, to become more the service principal rather than just an agent. As a result of this, forwarders now have to put greater emphasis on having strategically located premises and new equipment from collection and delivery vehicles to the latest in computerisation.

In keeping with that general move towards added value services, some forwarding organisations are looking at ways of developing genuine one stop shopping covering both domestic and international movement of goods. To date, those two areas of distribution activity have tended to be handled by separate companies, even if there is sometimes close co-operation between the two.

Prominent among the UK forwarding companies pursuing that strategy is Rockwood International Freight, part of the Rockwood Holdings group which also includes UK domestic service operator Rockwood Distribution. Rockwood International was formed in 1988 from the merger of two well known UK based forwarding groups, Walford Meadows and Mercury Airfreight, plus specialised book forwarder, Dawson, Royle & Willan. Rockwood International is building up its presence in a number of overseas markets.

Mr Don Rothwell, Rockwood International executive chairman, said the aim of the group as a whole was to offer customers a complete distribution chain from original point of origin of raw materials right through to the delivery of finished products to a retail outlet.

"We would like, for example, to be able to handle the movement of coffee beans grown in Brazil to the grader and packer through to the final movement to the supermarket shelf in the UK or other European country.

"We want to be able to touch the product as many times as we can, offering the customer any service he wants other than actually purchasing the product for him," said Mr Rothwell.

WAREHOUSE EQUIPMENT

Power of the forklift

SUBSTANTIAL SHIFTS in the kind of equipment used in the modern warehouse and distribution centre have taken place over the past few years.

Specialist forklift trucks, conveyor systems linked to automated sorting machines using bar code recognition, and manual and automated carousels are all in evidence. But there are some significant differences in the use of equipment in throughout the world.

Japan has some of the most old-fashioned equipment. On one estimate, for example, more than 90 per cent of all forklifts used there are standard counterbalance vehicles. This is probably because of the country's large network of small suppliers and Japan's lack of general sophistication in distribution.

Western Europe is substantially more advanced than North America in the use of specialist lift trucks such as order pickers, reach, narrow and very narrow aisle vehicles and stacker cranes.

About 100,000 electric powered lift trucks are sold in western Europe each year and about 65 per cent of these are non-counterbalance trucks, according to Jungheinrich, the West German forklift maker.

However, there are some significant differences between European countries. The UK probably has the most sophisticated warehousing operations in Europe related to retailing, both for food and for the large mail order companies.

On the other hand, warehousing and internal distribution operations within UK manufacturing companies are well behind those in West Germany. This is partly a reflection of the different levels of investment and technology to be found in West Germany.

Sales of electric lift trucks in the UK up to August this year numbered 13,000 units, according to Lansing-Linde, the UK arm of the West German Linde group. Of these, Lansing-Linde estimates that 8,000 to 8,500 trucks went into the dedicated warehousing and distribution sector.

The trend in the UK has been towards high-bay warehousing of up to 30 metres with more sophisticated order picking. One reason for this has been the increase in variations or choice offered to the consumer for ranges of products, from food to clothing.

At one time, warehouses used to have a few bottom racks for picking while racks above were used for replenishment. Many products now move less slowly but with much greater variation and the order picking areas have had to stretch nearer to the roof.

A second reason has been the way retailers have handed responsibility for their distribution operations to other, third party companies specialising in this activity.

Such companies have adopted a very professional stance on distribution and have the cash resources to cover the substantial sums required by a modern automated distribution centre. Marks and Spencer has done this for along time, using BOC's Transhield, and this is more common in retailing.

An added factor is that the UK imports far more processed food from the Continent than it used to and it is more difficult to have imports distributed direct to the backdoor of a supermarket than to do so through big regional centres.

Some warehouses are very automated with a central computer controlling operations. Off-the-shelf software packages are available for controlling the movements of manned and unmanned lift trucks to provide optimum truck runs — the best use of a warehouse's forklifts to meet each day's order picking requirements.

Nevertheless, companies often favour the use of human control for picking from an automated piece of equipment. Jungheinrich says that 90 per cent of its stacker cranes sales in the UK are manned. Stacker cranes use both floor and roof guiderails and can travel at considerable speed.

Mr John Gilbert, Lansing's product manager says too many materials handling managers have been dazzled by what he says is the false assumption that automated handling can solve every problem while permitting a reduction in the labour force.

"The human has many attributes in flexibility, adaptability, dexterity and basic intelligence. People are still far in advance of manipulative robots." The criteria for investment, he says, are a balance between capital and revenue expenditure and a study of the effectiveness of automation.

The world's forklift manufacturing industry has been going through a shake-out in the past three years. One of the motivations for this has been the scrabble to buy companies with technologies in advanced warehouse equipment.

Along with this has gone the increasing cost for manufacturers of staying in the field of warehouse equipment which has made some of the smaller suppliers weak and therefore willing to seek the shelter of larger groups. This cost pressure has been exacerbated by the high expenditure involved in updating production plants to stay competitive.

The supply of specialist forklifts has increasingly centred on Linde and Jungheinrich, both of West Germany, BT, and to a lesser extent Kalmar, both of Sweden. Boss (with its Steinbok subsidiary in West Germany) is the biggest independent UK producer and in some products has been taking market share away from its German competitors. In North America, the dominant supplier is Raymond of the US.

Lansing, the once family-owned forklift maker was purchased earlier this year by Linde which is one of the two largest western producers of lift trucks.

BT has purchased a number of suppliers, mainly in North America, while two German companies, Larf and Irion have been absorbed by Kalmar. The Swedish company has also bought Coventry Climax in the UK but there have been rumours that Kalmar's parent, the Swedish government-controlled Procordia group, is less than fully committed to the lift truck industry.

The shake-out has also affected producers whose production has been geared overwhelmingly to standard engine-powered counterbalance trucks. The most marked example of this was the recent acquisition by Nacco (selling under the Yale brand) of Hyster of the US, the second largest producer in the world before the purchase.

Nick Garnett

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CUSTOMS CLEARANCE

Fast lane directs quicker delivery

DURING THE past two months, the UK has seen the introduction of two large import clearance schemes designed to facilitate trade within the EC by reducing delays and congestion at ports of entry.

Fast Lane is a one-stop customs clearance system at those UK ports and airports with DTI (Direct Trader Input) systems which enable them to transmit data direct to the customs computer.

The UK has six DTI community computer systems at Dover, Southampton, Felixstowe, London, Northampton and Heathrow. They serve approximately 50 ports, airports and Irish land border stations. The Fast Lane system is designed for non-excise goods which originate in or are in free circulation in the European Community where HM Customs and Excise collects VAT and information for trade statistics.

There are some exceptions in these categories such as livestock, but in general, the customs authority says that more than 60 per cent of intra-Community freight, will be eligible for Fast Lane's electronic clearance. This gives immediate, free passage through the port and the freight will benefit from savings of at least an hour in clearance times.

The port at Dover, the largest Fast Lane operator, says that it is on target this year to handle a record 1m freight units and to process as many as 2,000 inward freight vehicles.

Fast Lane is primarily designed for full load operators. Groupage traffic can only benefit from the scheme if every single shipment in the multiple shipment groupage load, is eligible for Fast Lane. If one or two shipments are rejected, then the whole load suffers the same delay while the offending shipments await customs checks.

Following the Fast Lane launch in August, HM Customs officially acknowledged its LIC (Local Import Control). This scheme brings Fast Lane-type benefits to groupage operations.

LIC was created by HM Customs as a single market initiative. It enables authorised forwarders to clear groupage loads on site. Until now, this authority, under the ICD (Inland Clearance Depot) system, was restricted to importers handling their own unit loads.

LIC is aimed primarily at EC goods which will have to account for at least 50 per cent of any forwarder's groupage traffic authorised by LIC. The scheme allows the forwarder to bring units, unimpeded by any physical customs check (apart from the usual spot check customs security system that continues to apply), through any UK port and proceed direct to the company's own terminal.

Pre-electronic entry to customs means that the goods are available for delivery as soon as they reach the terminal. If, through the entry, HM Customs does identify a questionable shipment, the operator will be required to retain that item for customs inspection while the remaining shipments are free for delivery. Related documentation is faxed through to local customs offices and originals are submitted later.

Fast Lane is a one-stop customs clearance system at those UK ports and airports with DTI

While HM Customs and Excise awaits final approval for the expenditure that the operation of the LIC scheme will bring, a number of companies have been authorised to operate LIC on trial. The first of these was Davies Turner a leading UK trailer operator which claims to have pioneered the concept of groupage and consolidated loads.

More recently, LIC approval has been granted to various fowarders including Sea Route Ferry, Enterprise Forwarding, RW Freight, Anglia Forwarding and Frans Maas. While forwarders and their terminals will have to meet certain criteria to be eligible for LIC authorisation, the customs authority is encouraging enquiries and applications.

If, as is likely, LIC is approved, then the scheme should become generally available from spring, 1990. HM Customs estimates that LIC in its first year could account for about 25 per cent of entries on EC groupage traffic and expects increases in the future.

The single market is widely predicted to change distribution patterns. It will shorten transportation and customer order cycle times and therefore, lead to smaller shipments.

Groupage operations will benefit from this trend. Large transport service users, such as Philips International of the Netherlands, are forecasting a gradual shift to more part loads, normal LTL (Less than Trailer Load), and high performance LTL with higher service standards.

Mr D Goedhart, managing director corporate forwarding for Philips International, told the Freight Transport Association conference, that the growing trend towards direct deliveries and the shift to regional warehousing covering more than one country would demand "increasing cross border LTL services with high reliability."

Traditionally the operation of groupage/consolidation services has demanded substantial investment in networks, interlined terminals and consolidation centres. Groupage has often been a problem for customs clearance with delays at UK ports varying from hours to weeks because the loads contain multiple shipments from different shippers.

Efficient groupage operators make every effort to maintain control over the operation by ensuring all documentation and shipments are in order. Mistakes do happen and the resulting delay for customs checks on just one shipment in a trailer load, will reverberate throughout the forwarder's groupage operation.

For example, the trailer may have been scheduled on arrival at the terminal to turnaround with an export load and so the schedule is disrupted. As a result, efforts to mount timed export or import groupage scheduled services have been somewhat half-hearted.

Davies Turner, with an LIC operational since June, says that the system offers advantages for both the operator and the customer.

"The greater elements of control we achieve through LIC by which we know exactly when a trailer will arrive at the terminal, will enable us to provide guaranteed, timed services to a far greater number of destinations," said Mr Philip Stephenson, managing director.

For the customer, Mr Stephenson says LIC should mean savings in both time and money due to faster transit times and improved efficiency and reliability with control back in the hands of the operator.

The introduction of LIC by customs was timely for the UK based groupage operators. The large US LTL operators, recognising the opportunities that the single market will offer, are preparing to enter Europe and have considerable experience in groupage.

In the US, the top three road transportation companies, Yellow, Consolidated Freightways and Roadway, are heavily com mitted to LTL services from which they derive at least 40 per cent of their total revenue. Europe could prove easy pickings for US operators and their experience of LTL and groupage over the greater distances in the US.

The Japanese too, have expressed interest in the new systems such as LIC and their effects on trade facilitation in the single market. One Japanese study group organised by Keidranen (Japan Federation of Economic Organisations) is visiting the UK and Europe during October to look at the deregulatory steps being taken in transportation and distribution in preparation for 1992.

Among the specific systems the group has observed is LIC which was displayed to the members by Davies Turner at its Dartford Terminal.

Mr Masaya Miyoshi, Keidranen's president director general, says that deregulatory steps such as the introduction of LIC, are very much in line with the federation's goals in Japan where Keidranen has been pressing for the deregulation of distribution.

The group was genuinely interested in the application of such systems in the domestic Japanese market but that is not to say that certain study group members may not have a dual interest in the opportunity that LIC represents.

The large European groupage operators such as Schenker, Panalpina, Frans Maas, Kuehne & Nagel, Calberson and Davies Turner, have an early opportunity to break out of their national and regional groupage moulds to make pan-European investments to ensure they retain the majority share of their own European market before the foreign predators arrive

Anne Hunter

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Information transfer: Federal Express' FedEx Controller, a management information and despatch system speeds up the preparation of consignment notes and address labels

INFORMATION TECHNOLOGY

EC network planned

THE MARKED acceleration in the spread of Electronic Data Interchange (EDI) concepts and technology will have a large impact on both domestic and international distribution industry operations.

Distribution activities already tend to be as much about the rapid and reliable transfer of information as the actual physical movement of the goods concerned.

In the UK, for example, a growing number of domestic distribution service providers can offer users fast reports on the status of goods in transit and proof of delivery, VAT and other statistical requirements, service details, sales statistics and market information by product or location.

It is important that potential users of such systems should distinguish between those which simply tie them into the operation of one particular operator and those which give them access to more wide-ranging EDI systems.

Such considerations will become more significant in the light of the single market, a point which has prompted the Commission to draw up a Community-action plan relating to the electronic transfer of data.

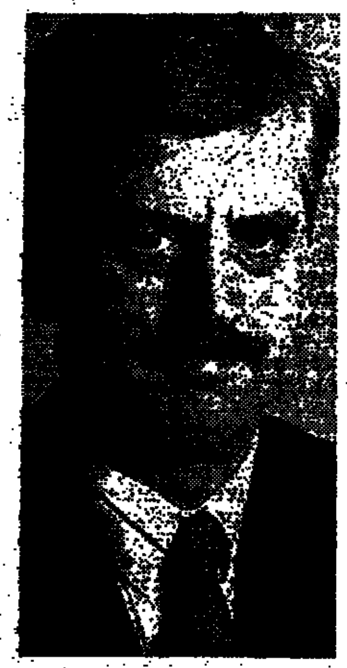
The project, called TEDIS (Trade Electronic Data Interchange Systems), is designed to prevent a proliferation of closed trade EDI systems with the resulting widespread incompatibility of such systems. It will help to promote the creation and establishment of trade EDI systems which meet the needs of users, in particular, small and medium-sized enterprises.

The Commission has drawn up an action plan for the electronic transfer of data

A number of information technology companies such as IBM and GEISCO are providing EDI services in Europe, where the UK leads the field with more than 2,500 users. Companies involved with international distribution activities, or planning to be over the next few years, must put EDI in the forefront of their thinking.

By 1992, every EC member state should have its own customs mainframes providing interfaces for all exporters and importers. The plan is that those mainframes will be linked to the EC's mainframe in Brussels which will control payment of duties, VAT and collection of statistical information no matter where a shipment is imported or exported within the Community.

Export/import companies and their carriers will have to be able to interface with existing member state mainframe computers to keep a competitive advantage after 1992.



Pollard: base point needed

Providers and users of distribution services will need the technology to be able to directly interface their own information technology systems with other relevant links in the overall logistics management chain, such as EPOS (electronic point of sale) systems and stock control and warehousing operations.

Developments are well under way in the express parcels delivery business where service companies emphasise the important role they can play in the support of so called Just In Time distribution systems.

JIT demands that information about delivery requirements and operations be passed easily and rapidly between all the parties involved.

Among the latest UK companies to step up its development in that field is United Carriers the UK parcels delivery company. It is investing some £3m over a period of two years to develop and instal a computerised information system which will link up all its 23 depots in the UK. Pilot schemes are in operation at four depots and the network should be on line for consignment status reporting by the middle of next year.

"That will mean that a customer will be able to contact any one of our depots to get fast, up to date information on the status of any consignment or parcel. At the moment, we are handling around 30,000 consignments a night, with the average consignment size being seven to eight parcels," commented Mr Martin Pollard, computer services director for United Carriers.

"What we are looking at now is a base point for continuing longer term development in the field of information technology. The important consideration for us in developing this system was to find out exactly what our customers really wanted from it. Once you have committed yourself to a tracking system it can be very costly to rectify mistakes or pull out," he said.

However, while express parcels companies have generally been at the fore of information technology developments, particularly in relation to consignment tracking, many of the basic requirements for a successful express delivery operation also apply to general distribution.

In addition to consignment tracking, other areas of activity covered by information technology development include general processing of paperwork, vehicle scheduling and routing, communications, management information and service monitoring. Some distribution service companies are taking their information technology systems a stage further and allowing some of their large customers direct access to service and consignment information via terminals installed on their own premises.

Federal Express, for example, has recently introduced a development in the UK called FedEx Controller, a management information and despatch system which is based on a customer's premises to help speed up the preparation of consignment notes and address labels, hold all consignee details on its own database and provide complete management information for the consignor.

The plan is for mainframes to be linked to the EC's computer in Brussels

According to Federal Express, the FedEx Controller has been installed on the premises of 15 customers, including Hewlett-Packard, and it is expected that up to 120 will be in place within the next year. A similar product developed for the organisation's US market is installed at over 7,000 customer locations.

Further computerised freight tracking system enhancements being developed by a number of companies include the introduction of direct data transmission between depots and vehicles – replacing radio communications – and computer controlled collections.

The latter allows a customer's telephoned order to be keyed straight into the computer system rather than any hard copy collection note being written out. That information can then be electronically transmitted to a collection vehicle.

Philip Hastings

Movement of goods: Federal Express DC10 at Stansted, the company's gateway to the UK

A wide variety of consultants are helping the industry to develop and improve

Driving home the efficiency message

THE UK distribution sector is widely credited with being in the forefront of that industry's development worldwide and, *particularly in the area of* retail distribution, is often held up as a prime example of modern thinking and efficiency.

Helping to foster that development are a growing number of consultants specialising in that business who are producing new concepts for overall distribution operations and practical advice on how to implement more specific changes and improvements.

In that context, the distribution consultant has three main functions, to clarify and quantify policy objectives; to improve the efficiency of the methods by which those objectives are achieved; and to eliminate possible conflict between short-term and long-term interests.

Distribution consultancy services are available from a variety of sources. Large general management consultancy organisations, for instance, will tackle distribution either as an individual project or as part of a broader study of a client company's general business activities. Competing with them are a number of consultancies which concentrate particularly on distribution.

Some of the latter are independent management consultancies while others are the consultancy arm of distribution organisations, for example the NFC consulting group. In addition, most leading distribution service companies offer consultancy support for potential and existing customers.

Also in the consultancy field are some of the various distribution and transport industry trade associations. For example, the Freight Transport Association, which represents the transport interests of some 13,600 member companies in the UK, has recently expanded its consultancy services.

The FTA is offering advice on personnel and recruitment, quality assurance, customs and international transport, dangerous goods, advertising and publicity, and operator licensing. It is well established in the provision of advice on vehicle maintenance procedures, the planning of new workshops and design specifications/suitability of vehicles and other transport equipment.

Consultants are producing new concepts for overall distribution operations

The precise choice of consultant can to a large extent depend on the nature of the advice needed and requirements can vary from an individual project covering one aspect of distribution to a full international logistics management study.

Distribution consultants report a great deal of interest from companies interested in improving their inventory control. With a lot of interest being shown in Just In Time distribution and its implied low stockholdings it is tempting to assume that inventories are generally being drastically reduced.

In fact, although that is the case in some instances, there are still many companies who are *continuing to hold much* larger stocks than are desirable for efficient and cost effective distribution.

Reasons for seeking a consultant can vary considerably. A manufacturer or retailer may, for example, want specialised knowledge and experience which is not available within his own organisation. Alternatively, existing resources may be fully committed, so creating a requirement for short-term additional assistance.

In that context, one of the more interesting developments involved the introduction by distribution consultants Davies and Robson of a new type of management support scheme to help companies without sufficient in-house distribution expertise to keep abreast of the latest developments in logistics management.

The scheme, called Teamshare, provides a long-term input into a customer company's management process by providing experts from Davies and Robson on a day-to-day basis whenever matters of distribution or logistics are under scrutiny.

According to Mr Peter Newson, Davies and Robson managing director, Teamshare gives medium-sized companies the same sort of distribution management muscle as their larger competitors.

"Teamshare is a continuous programme of healthy living; project consultancy is more like an intensive session at a health farm," Mr Newson commented, as he made the distinction between conventional project based management consultancy and Teamshare.

The typical cost of a Teamshare contract could be £6,000 to £10,000 a year. Davies and Robson claims that clients will always achieve quantified benefits in excess of their particular contract fee.

Another reason for retailers to seek consultancy services is the need for a new, unbiased opinion on existing problems or future plans. In some cases, it is only through a consultancy report than a hard-pressed transport or distribution manager can get new ideas for improvement taken seriously by senior management.

Conversely, the top management may need to call in a consultant to produce plans which are unhindered by the possible vested interests of the distribution or transport manager. An outside consultant, it is claimed, can apply an objectivity which it is very difficult for a company's own personnel to achieve.

Most leading distribution service companies offer consultancy support

A consultant is in a position to view the scene against the perspective of what is achieved in other analogous industries and circumstances. Often, distribution consultants can spot opportunities for cost savings in distribution by looking beyond the immediate function involved to other areas of operation which directly or indirectly impact on it. In-house managers may be inhibited from doing that themselves because they would infringe a colleague's territory.

As an example of the sort of area where consultants can help companies achieve cost savings on distribution, one consultant said that it could involve something as simple as a pack design where an adjustment measured in millimetres could have a very significant impact on the make-up of unit loads.

The savings in distribution costs could be surprisingly large. One company, for example, achieved a 30 per cent increase in unit load capacity by making changes of only 4mm on the length and 3mm on the width of product cartons.

Improvements of that magnitude mean that 77 vehicle journeys can deliver the same payload that previously would have required 100 vehicle journeys. Similarly, consultants are able to use broader concepts such as Direct Product Profitability (DPP) to target areas for improvement on the distribution side.

A spokesman for consultants Cresap, McCormick and Paget said DPP should be used as a means of comparing costs and also of identifying opportunities for making cost savings.

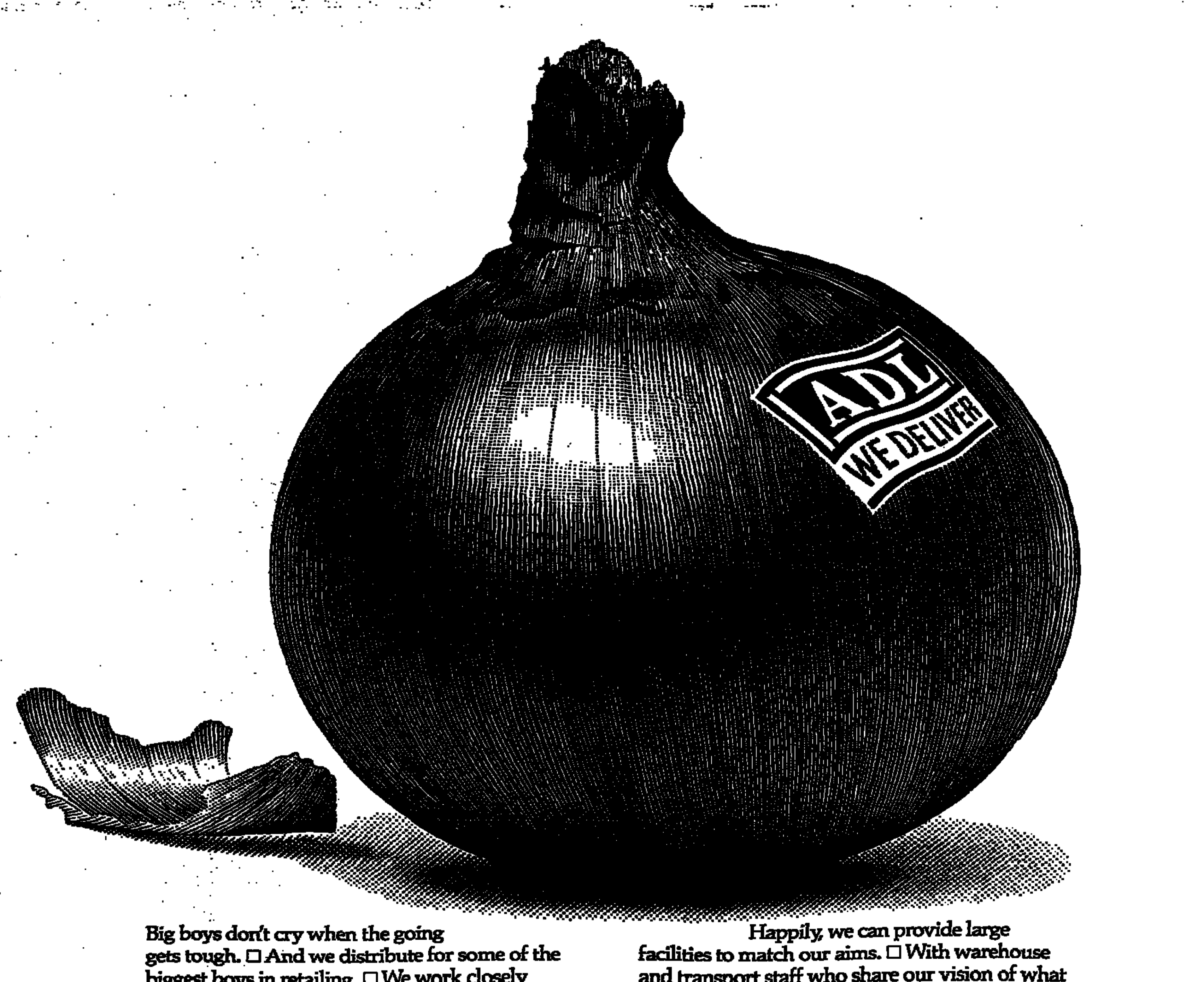
He quoted the example of a US confectionery wholesaler for which the company had carried out a study. By changing the *location* of some fast moving products within the company's warehouse to cut down the time staff spent collecting them, a saving of some £14,000 a year had been achieved.

Increasingly, though, retailers are turning to consultants for help in developing more wide-ranging strategic distribution or logistics management systems. Helping to accelerate that trend, at least among the larger retailers, is the approach of the single market and the need for them to start considering distribution on a pan European basis.

In that context, leading consultancies are working hard to develop distribution and logistics *management strategies* which can be used by manufacturers, retailers and other organisations in preparation for the single market.

Philip Hastings

500,000 onions without tears.



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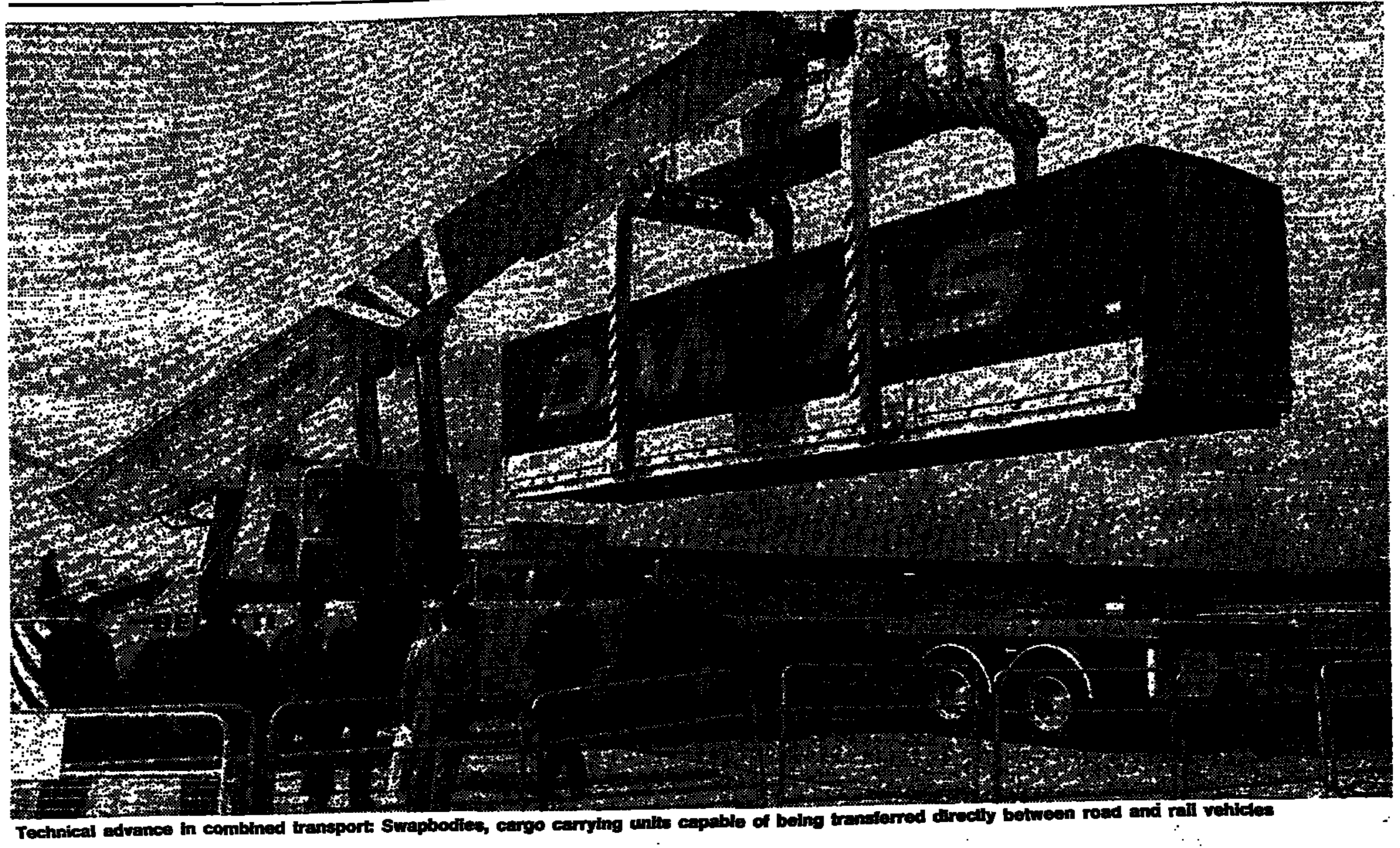

Technical advance in combined transport: Swapbodies, cargo carrying units capable of being transferred directly between road and rail vehicles

BR's Railfreight Distribution is on the European track for the post-tunnel era

Swapbody units cement road links

BRITISH RAIL has been criticised in some quarters over the last couple of years for its alleged lack of vision in exploiting the opportunities which will be offered by the opening of the Channel Tunnel in 1993.

Much of the criticism has revolved around the reluctance of railway managers to consider bringing the UK into line with the bigger continental loading guage by constructing new lines or adapting old ones.

BR continues to insist that such proposals are hopelessly uneconomic, in spite of claims by the transport consultants Steer, Davies and Gleave that a substantial network could be created for not much more than £200m.

Nevertheless, BR's Railfreight Distribution (RfD) division, which was formed a year ago to improve rail's penetration of the distribution market, is hoping for a big increase in its 7 per cent share of anglo-continental traffic.

RfD takes heart from a recent opinion poll which showed that 50 per cent of exporters think rail will be the most attractive mode of transport in the post-tunnel age.

Hoping to build on this apparent reservoir of goodwill, it recently set up a new European business organisation, headed by Mr David George, to co-ordinate international traffic.

This includes the existing door-to-door container services operated through Harwich by RfD's Freightliner subsidiary, and the conventional railway waggon traffic which goes by train ferry from Dover.

There have been improvements in both services over the last year. In September, RfD entered the Intercontainer Pool, operated by European railway authorities, which provides a simple mechanism for one-way container movements by rail. As a result BR is already picking up traffic for which it could not previously have quoted competitively against road hauliers.


George: seeking a partnership with road haulage interests

The trainferry service is operated by the new Nord Pas-de-Calais jumbo ferry, using new generation wagons with a payload of up to 63 tonnes each. RfD reaped an unexpected bonus from the recent dry spell in the form of increased shipments of French mineral water, in which it is the market leader.

However, the most dramatic development will be in the wholesale market, in which BR effectively sells rail space to other distribution companies. The problem facing RfD in this market is that most distribution companies are road-based, and it has proved difficult to persuade them to tranship goods between modes.

This has been less of a problem in continental Europe, where rail enjoys much greater political prestige – and subsidies – and where legislation sometimes compels companies to use the railways for certain traffic.

As a result there has been a series of technical advances in combined transport, notably in the use of swapbodies – cargo carrying units capable of being transferred directly between road and rail vehicles – which account for more than 70 per cent of combined transport movements.

The growth of this market is impressive: combined transport movements have quadrupled over the last 10 years, and are estimated to account for goods equivalent to 1.4m TEU (standard containers) a year, compared with carryings by Intercontainer of 887,000 TEU.

The UK has been largely isolated from the growth of this market for two reasons. The first is that, unlike containers, swapbodies cannot be stacked in the lift on, lift off (lo,lo) ships which ply between the Continent and Britain.

This problem will be overcome as soon as the Channel Tunnel opens in June 1993 – a date confirmed this month by Eurotunnel, the Anglo-French consortium which will operate the tunnel, in spite its financial difficulties.

However, RfD's ability to use swapbodies has also been restricted by the loading guage problem, which meant that the standard swapbodies in use on the Continent would foul the tunnels on many BR tracks because of the smaller loading guage.

BR has found a partial answer to this problem, which will allow it to introduce swap body trains on at least one mainroute from January.

The solution being adopted is to acquire wagons from France which will reduce the height of the swapbody platform above the rails by 80mm to 967mm. This small reduction in wheel size allows BR to get started in the swapbody market quickly, and has the advantage that the French wagons are proven technology, with none of the uncertainty which might have surrounded the development of a genuine small-wheel bogey.

However, the French wagons

The most dramatic development will be in the wholesale market, in which BR sells rail space to other distribution companies

will only be able to carry standard continental C22 swapbodies on lines where the loading guage has already been improved to give clearance for 8½ ft containers.

In practice, this means that RfD will be limited, at least initially, to a route from Harwich, where it already tranships containers, through the north-west of England to Scotland.

The RfD route through Dover, via the trainferry service, cannot be used for swapbodies because the loading guage has not been altered for 8½ ft containers. However, BR plans substantial improvements to this route before the opening of the Channel Tunnel.

For the moment, RfD plans to run one swapbody train a day from Harwich to Scotland. Swapbodies will leave the port two hours after arrival (thanks to the new Fastlane system introduced by HM Customs and Excise), and arrive in Scotland 12 hours later, having run at a maximum speed of 90 mph – 15 mph faster than most freight trains.

The service will be marketed

In continental Europe, rail enjoys greater political prestige and legislation sometimes compels companies to use the railways

by a joint company to be formed with road haulage interests, similar to combined transport companies such as Kombiverkehr in West Germany and Novatrans in France.

Both these companies will have a share in the UK joint venture, in which BR will take a minority stake. Large companies – thought to include Transport Development Group and United Transport International – are being approached to provide road-based expertise.

"This takes the railways into a new era, because historically they have been seen by road haulage interests as a competitor. What we are seeking here is to develop a situation where road haulage interests see RfD as a partner," says Mr George.

"This is a revolution in transport technology in the UK. The potential of this has simply not been realised. Once it is fully appreciated there will be a lot of people queuing up to take part in this. We are talking to a lot of major hauliers already."

The use of swapbodies will give RfD capacity to handle cargoes of up to 44 tonnes – the ceiling in most of the EC outside the UK, where the limit is 38 tonnes.

In practice, this advantage is likely to be limited in application because of the difficulty of arranging final delivery from the railhead for swapbodies weighing more than 38 tonnes. However, the hope is that the Government will recognise the potential of rail transport for heavier cargoes, and encourage the use of combined transport as a way of limiting the number of heavy lorries when the UK exemption from the 44 tonne ceiling ends in 1998.

Railfreight Distribution believes the combination of Freightliner container traffic, swapbodies, and the 10,000 UK guage wagons in the existing international fleet will allow BR to carry all the freight it can handle profitably in the post Channel Tunnel era.

"We will lose in the market for 9½ ft containers and Supercubes, but our view is that it is not viable to alter the entire loading guage to carry them," says Mr George.

"We believe we are the only freight railway in Europe which makes money, and we intend to keep it that way."

Kevin Brown


Red Star parcels service . . . from trains to motorcycles

RED STAR

Privatisation candidate

NO-ONE quite knows how Red Star got its name. But British Rail's express parcels subsidiary is shedding its image as easy meat for private sector competitors with an extensive management shake-up virtually completed, record profits under its belt, and several products about to be launched.

The management changes have brought several senior executives into the business from private sector parcels and airline companies, in an attempt to sharpen Red Star's act. In addition, almost all staff are now under direct Red Star control, rather than reporting through BR's regional management structure.

Red Star has been given a degree of accounting independence, and has adopted greater openness in reporting, in an attempt to clarify its financial relationship with BR.

As part of this process, Red Star recently reported profits of £5.5m, struck after interest payments, on turnover of £70m for the year to March 1988. Mr Adrian Shooter, managing director, added later that profits had doubled since 1987, and that turnover had been rising at 25 per cent a year for four years.

All this helped to consolidate Red Star's position as a prime candidate for early privatisation. Mr Shooter is reluctant to comment on the prospects of moving into the private sector separately from the rest of BR, but he would oppose any attempt to divide the business between a number of regional railway companies.

"Our unique selling point is the BR network, and we are dependent on BR's help and interest. Red Star is only viable as a national network, and it makes little sense to divide it up in a geographical manner," he says.

At the same time, he is anxious to maintain, and possibly extend, Red Star's independence from the rest of BR. "Red Star has to be a separately accountable unit. It cannot be an integrated part of the rail business – everyone in Red Star sees us as being in the parcels business, not the railways business," he says.

Meanwhile, Mr Shooter's eyes are on Europe. International business accounts for only about 4 per cent of Red Star's turnover, but the target is to raise this to 20 per cent by 1992.

As part of this process, the rate card has recently been revised to integrate domestic and overseas services, and the existing small aircraft flying daily from Southend to Brussels will shortly be replaced by a larger aircraft operating out of Birmingham.

Red Star hopes the new service will start with 1.5 tonnes a day, rising quickly to a level which would justify using a Shorts 330 aircraft with a payload of 2.4 tonnes. This compares with present volume of about half a tonne from Southend.

Birmingham is better situated for traffic originating in the Midlands, the north and Scotland, while being equally accessible from London. For example, latest pick up times will be 5 pm for Liverpool and 4.30 pm for Glasgow. This compares with the present pre-lunchtime pick ups.

After 1993, the Channel Tunnel will open up possibilities, such as same day express parcels trains to Paris and Brussels.

Red Star is seeking to expand its wholesale activities by using its spare capacity during the morning to offer same day delivery in the UK for importers, primarily, freight forwarders. For the moment, Red Star is handling less than 1,000 packages a week of this sort, but aims to increase the business to 5 per cent of turnover within a year.

"What we are actually doing is picking up crumbs from the rich man's table. But what we are trying to do is to move up the value scale by organising customs clearance and line haul," says Mr Shooter.

Kevin Brown


Technology to the fore: Red Star, British Rail's express parcels subsidiary, serves customers through 520 parcel points in the UK.
The Parcels Business Machine (left) is a computerised tracking system that follows every parcel enabling it to be located at any point

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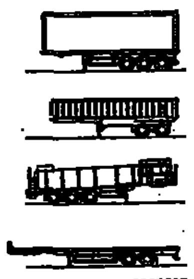

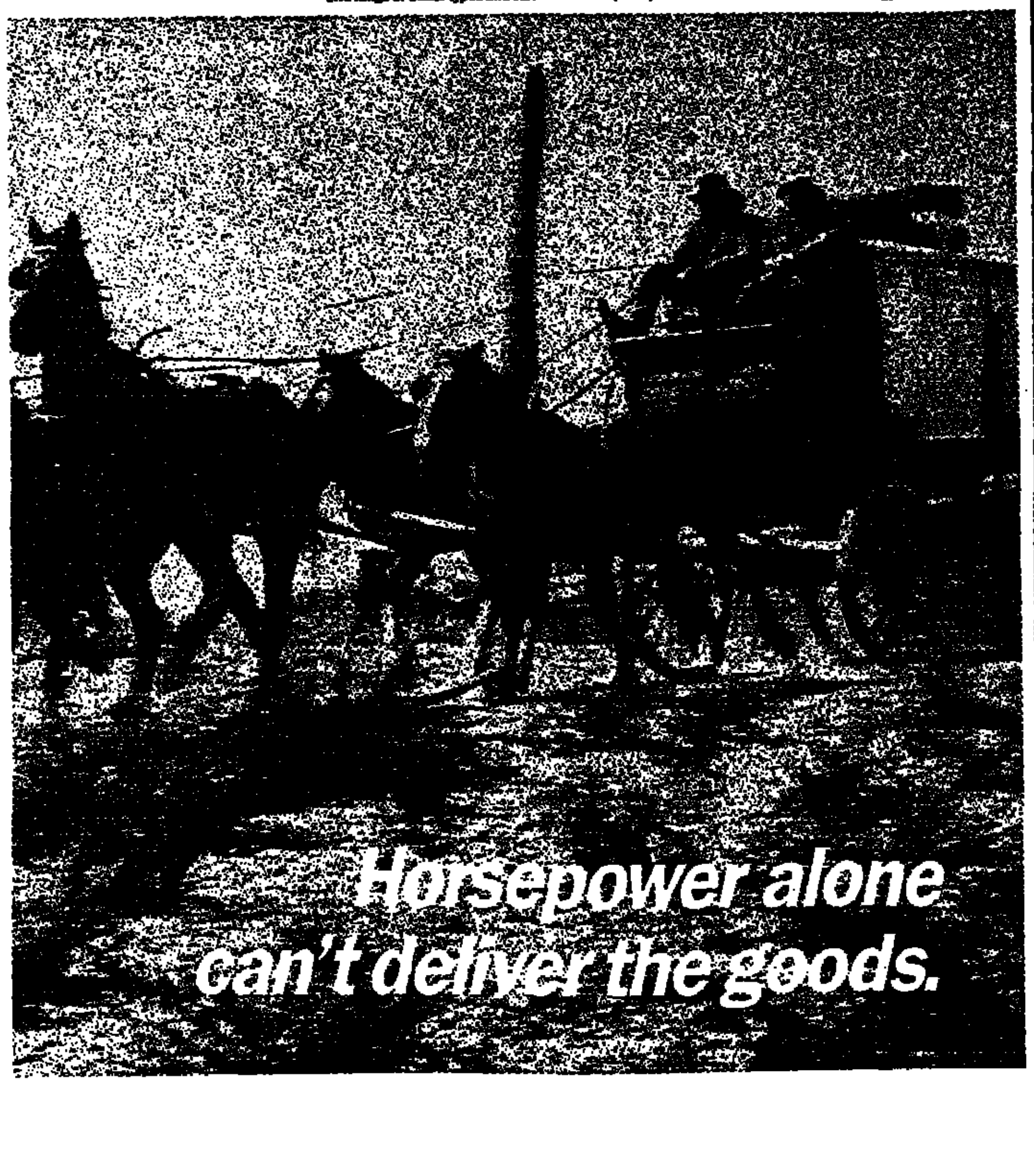

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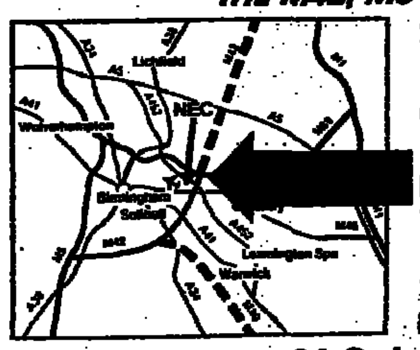

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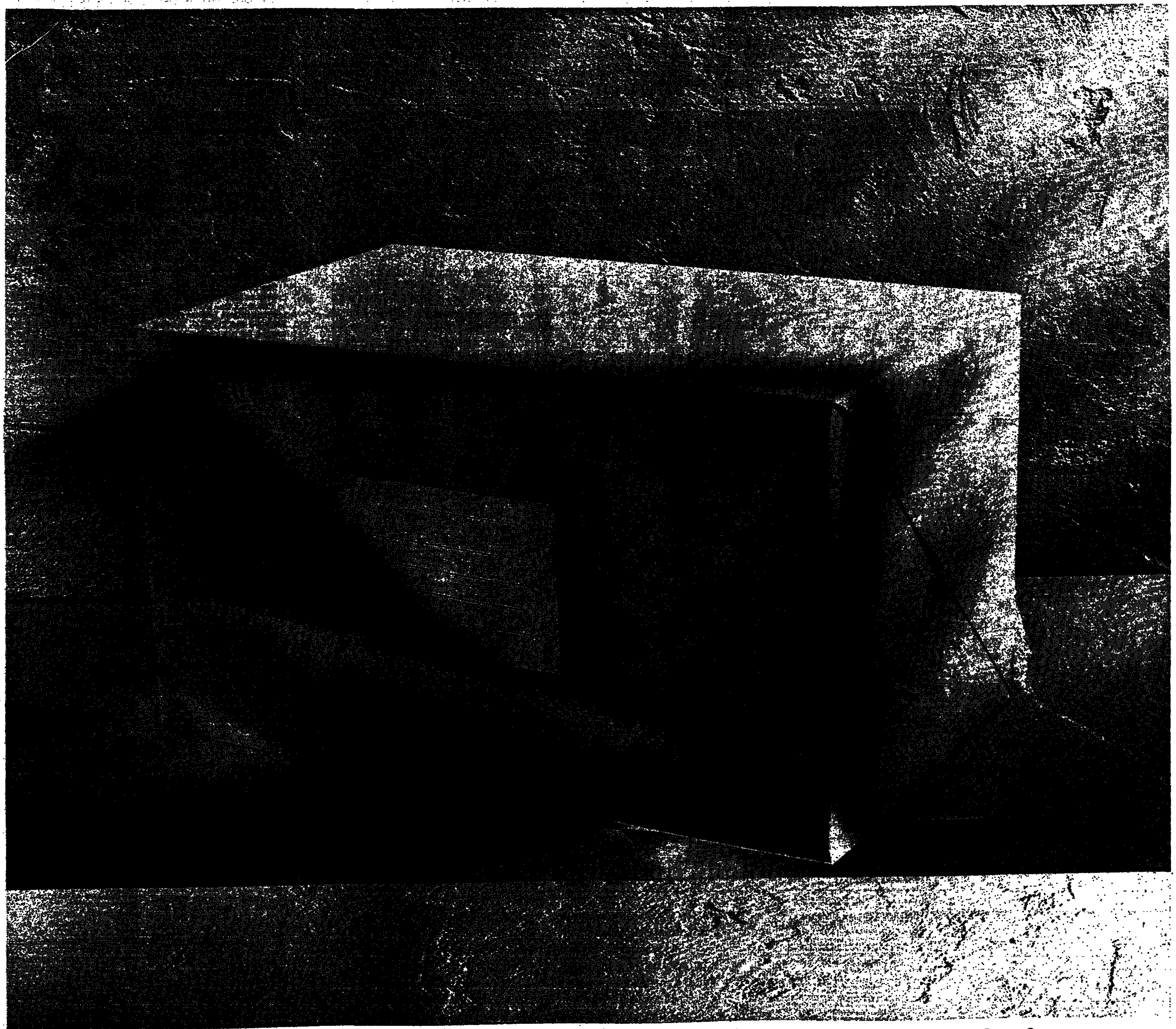

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The shortage of suitably qualified people is hampering development, reports **Phillip Hastings**

No cheap alternatives to proper training

CONTINUED SUCCESSFUL development of the fast growing and increasingly sophisticated distribution industry is being threatened by a shortage of suitably qualified personnel.

In the UK, for example, trade organisations and individual companies are warning of the need for the distribution industry to ensure that recruitment and training keep pace with the growth of business. If those same sources are to be believed, present indications suggest that is not happening.

They say the distribution industry is very short of sufficiently trained staff as recent rapid advances in distribution techniques and technology outpace the supply of people equipped to support them. Fuelling that shortage is a lack of training facilities and an education system, claim distribution industry companies, which fails to supply enough people for training.

While there are some training courses available such as those at the Cranfield Institute, they say there are too few of them and they are too late. Management training courses, in particular, are not keeping up with demand, it is claimed.

Those problems are apparently being experienced throughout the industry, with manufacturers, retailers and distribution service companies having problems finding enough people trained to take on many of the changing roles in the modern distribution industry, particularly at middle and junior management levels.

The pressure to find sufficient trained personnel is particularly critical for contract distribution companies. These can win a number of large multi-million pound contracts within a relatively short space of time, so generating demand for additional management personnel at various levels. One result, they fear, could be increased instability on the personnel side which could in turn effect service levels.

Latest warning comes from Mr Paul Carvell, general manager sales and marketing for TNT Contract Distribution which has its own development and training programmes to meet staffing needs. In a statement published in September, Mr Carvell claimed the contract distribution industry could become a victim of its own success.

The industry is very short of sufficiently trained staff

"Salaries are at an all-time high and if the number of applications and CVs that I receive are anything to go by, the industry is in a state of instability, with employees at all levels looking elsewhere for inflated salaries," he said.

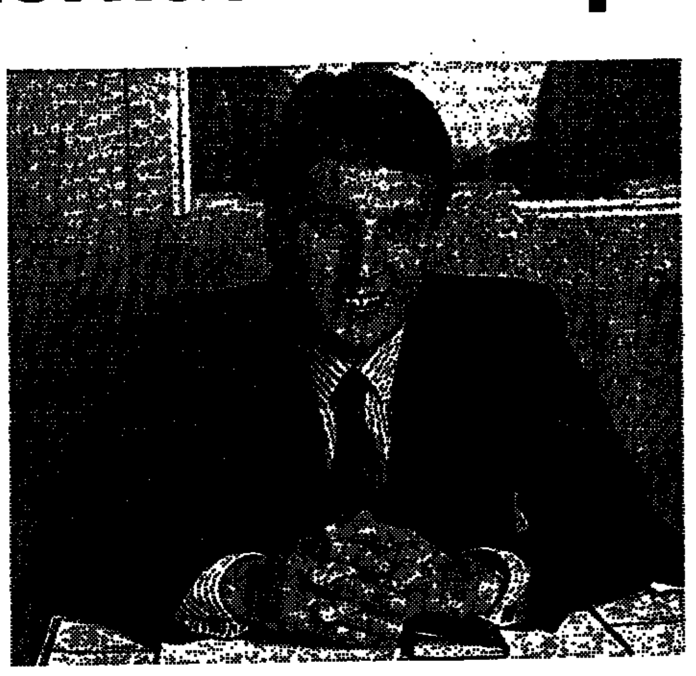
That instability, continued Mr Carvell, went against the wishes of customers who liked to see consistency among the personnel they were dealing with.

"Our customers are not only giving us their business because of our name. They are investing in our people. With many contracts running into five years or more, they do not want to see faces changing on a regular basis," he added.

This point is reinforced by Mr Brian Templar, managing director of Federal Express Systemline, contract distribution company. "This whole business is about service quality and it is the people involved as much as the technology and facilities which can ensure that high quality service is maintained," he said.

The issue of recruitment and training in the distribution industry was very much to the fore at this year's UK Institute of Logistics and Distribution Management conference. Significantly, one of the five conference tracks was devoted exclusively to the general subject of management training and education.

The conference was told that as far as the supply and capabilities of managers was concerned, the demand and potential demand over the next decade would far outstrip the supply.



Carvell: salaries are at an all-time high

There were no easy or cheap answers to the potential shortfall between demand and supply. Demographic issues over the next decade would exacerbate an already difficult situation. In the short term, the premium, often financial, for good quality management would probably increase.

At the same time, there could be moves to reduce the demand requirements for managers, either in terms of numbers or capabilities. The alternative, conference delegates were told, was to look at the supply side of the equation. That subject could be addressed by looking at what was needed, how it could be provided and who could provide it.

In that context, many distribution industry executives believe there is a need for joint ventures and joint projects involving companies, educational institutions and possibly the Government. Programmes of short courses, distance learning materials, home and work based study, all have a part to play, they believe.

Mr David Granville, the education and training officer for the ILDM, said training was frequently perceived as being expensive, a nice thing to do when money was available. Come recession and cutbacks, the training budget was one of the first things to suffer.

Training can be expensive if it is badly planned and badly organised but if done correctly, training can yield astonishing benefits, Mr Granville claimed.

The need for the development of logistics personnel had to be recognised not only by the business at large but by those actually directly involved in logistics. The requirements had changed. It was no longer sufficient to be able to respond to questions of how much have we got and where is it, he said.

"Much more fundamentally, people now needed to be able to answer the question why have we got it and why is it there. At the same time, it was no longer sufficient to think nationally – people needed to think European and internationally.

"The cost of providing training is increasing. In some cases, training could be viewed as expensive. It would, however, be unrealistic to consider the costs in isolation. Costs must be compared with the benefits which will be achieved and the opportunities which will be lost by not undertaking the training," Mr Granville said.

The education system fails to supply enough people for training

Those costs, he said, could be broken down into four areas:

- Analysis: the costs associated with the initial problem identification, need analysis and development of objectives. They would include salaries, materials and consulting fees.
- Development: the costs of programme development.
- Delivery: all the costs associated with the delivery of the programme, including materials, accommodation and instructor fees.
- Evaluation: the costs of evaluating material, analysing the results and reporting the findings.

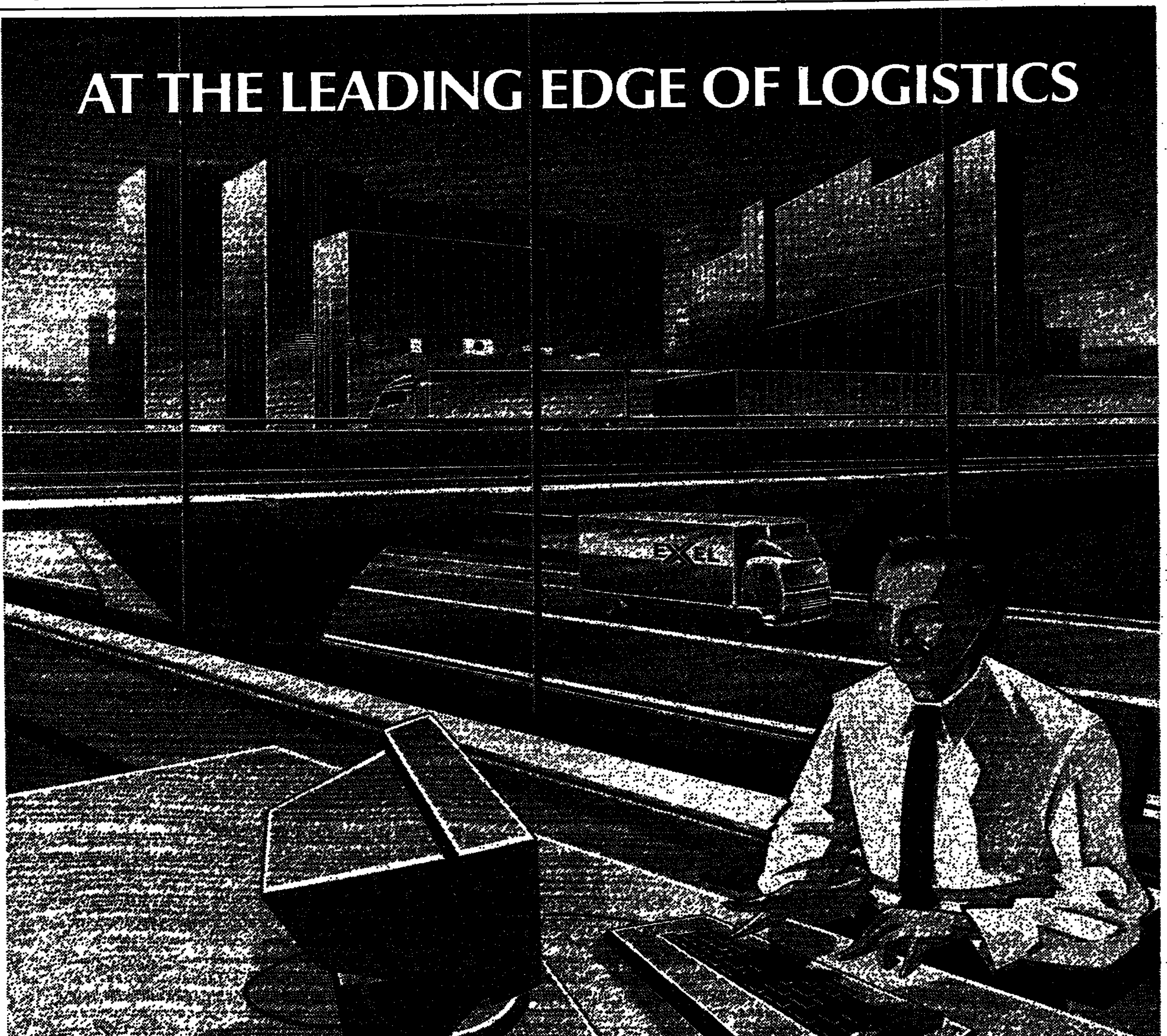
The costs of ignorance, continued Mr Granville, included the costs of failure, the costs of exceeding requirements and the cost of lost opportunities. Failure costs, he said, covered the costs of correcting mistakes which occurred internally within the business and externally with customers.

He pointed to the costs of shipping the wrong product; retrieval; returning products to stock; loss, damage or shrinkage; premium transport to replace goods; administration/overheads; lost goodwill; and lost sales, as examples.

The cost of exceeding requirements involved the costs incurred for providing services for which there was no requirement. These include excess stocks, extra transport costs incurred through faster delivery services, excess cost from an inappropriate distribution network and excess costs from under utilisation and performance of resources.

Costs of lost opportunities were reflected in the impact on profits of the lost revenues resulting from cancellation of orders or lost business as a consequence of the actions of the distribution or logistics department. Typically, such costs could occur from not delivering in time or not having stock available.

Training can be expensive. The benefits can, however, significantly outweigh the cost and the cost of ignorance can be enormous, concluded Mr Granville.



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High quality assures sales

AS EUROPE moves closer to harmonisation in the single market, there is an increasing awareness in the distribution industry of the importance of quality assurance.

The UK quality certification, known as BS5750 and which is in line with the European and international equivalents, EN29000 and ISO9000, is being sought by a growing number of companies. They realise that quality will be a vital factor in determining how effectively they can compete in the single market.

In the UK, the certification of Quality Assured, symbolised by a golden crown and tick which the accredited company may display, means that a company's management and systems have met with the standards set by the British Standards Institution (BSI).

Certification indicates a service or product meets the standards and specifications set by customers

Certification indicates that a company is providing a service or manufacturing a product to the standards and specifications set by its customers. In the UK, certification for BS5750, is controlled by the NACCB, the National Accreditation Council for Certification Bodies.

The NACCB, set up by the Department of Trade and Industry in 1985 to uphold standards of certification bodies in the industrial sector, examines their fitness for accreditation as officially approved examining bodies.

This accreditation process remains voluntary and there are 11 accredited certification bodies in the UK including the BSI. Twelve other bodies are applying for certification.

Increasingly, companies such as ICI, are demanding that all their suppliers must meet BS5750 or equivalent standards. Wincanton Distribution Services became the first UK distribution company to apply for BS5750 certification following rumblings, two years ago, that ICI was poised to make BS5750 a must for any contractors seeking its business.

Wincanton set its internal wheels in motion in the conviction that if it was the first in distribution to be accredited, it would gain a clear advantage over competitors. It ascertained from the BSI exactly what an application for BS5750 entailed and how much it would cost.

In spite of lengthy preparations involving refinements and improvements to systems and the introduction of others, two of Wincanton's divisional applications failed. Its workshop procedures were not considered good enough and no written statement had been prepared on how each job was to be performed to ensure quality.

These problems were rectified and the two divisions reapplied and were accredited. For Mr Chas Lawrence, managing director at Wincanton, the considerable effort in cost and time to achieve the Quality Assurance certification, was worthwhile and cost effective.

It opened closed doors: "We now know that if a major customer does insist on BS5750 certification for say, carrying chemicals or petroleum, both important areas of activity for Wincanton, we are able to quote for that business," said Mr Lawrence.

Wincanton's certification received widespread publicity which in turn brought enquiries from potential customers. According to Mr Lawrence: "These are quality companies, many enjoying BS5750 in their own right, who would rather use contractors of supplies or services who are up to their own standard."

ICI Chemicals & Polymers group is accredited. Both ICI and Wincanton claim that the effects of BS5750 certification have been marked. For ICI, as it developed the quality processes necessary to reach the BS5750 standard, new projects got underway which demonstrated how long-standing problems could be permanently solved with a significant effect on bottom line costs.

As outlined by Mr Alan Halfpenny, distribution manager of the chemicals and polymers group of ICI: "The first project saved £1m in a year by loading road tankers to capacity every time they left the works." This was achieved through a corrective action team comprising representatives from every aspect of the operation from loaders and drivers through to sales.

ICI says that BS5750 certification enabled the company to demonstrate to its customers that it had a quality operation from plant to customer. The company says that the very process of the quality initiative has been a "powerful tool" to motivate staff in all sectors.

Mr Lawrence said at Wincanton, the preparatory process greatly helped the company to "get its act together."

More companies are demanding that all their suppliers must meet BS5750 or equivalent standards

"It has been like deciding whether or not to use a computer system; the most useful thing you do in that study, is the analysis of how you work today before you put it in the black boxes," he said.

ICI and Wincanton executives warn however that BS5750 is not an end in itself. As a ticket to the starting gate, it serves as an examination along the route to "total quality assurance."

"That means the understanding of clear specification, final corrective action and measured annual performance improvement," says Mr Halfpenny.

From where he sits at ICI, Mr Halfpenny believes that the UK distribution industry could improve its image and financial position by embracing quality procedures and selling its services through the quality process.

With the advent of the single market, Mr Halfpenny forecasts that Quality Assurance will be a vital marketing tool: "There will be a scramble to show how among apparently equal companies, quality will mark the difference to the discerning buyer."

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INSIDE

Float translates as more cash

Mr Robert Maxwell, the publisher (left), plans to reduce further the debt taken on through the acquisition of Macmillan, the US publisher, by floating 45 per cent of Berlitz International, its language instruction subsidiary with 260 language centres in 25 countries. The partial flotation is expected to value Berlitz at between $400m and $500m with the net proceeds of the offering between $200m-$250m. Page 28

Computers in disgrace

Poor Brussels. As if the market itself was not enough to worry about, the huge volume of orders has caused the Belgian Stock Exchange's spanking new computer system, installed in January, to collapse. Today trading will return to the open outcry system. A stockbroker said: "Clients have been phoning up asking whether trading has started yet in 'that Mickey Mouse market of yours'." Page 46

Taramasalata and takeovers

The takeover business is spreading to one of the smaller outposts of the EC – Greece. Foreign takeovers of local companies have become a regular feature as northern Europeans expand their markets in the Mediterranean. "Greece is being included in international company strategies for consolidating their operation in southern Europe. For consumer products, it's not just a company that's acquired, but its distribution network too," says Mr Dimitris Pavlakis of Alpha Finance, a new Greek company specialising in mergers and acquisitions. Page 23

Zambia looks to its land

Travellers through the African continent know the abbreviation "MMBZ": they stand for "miles and miles of boring Zambia." But the country's vast, empty spaces offer great opportunities that, until now, have been ignored by the Government. Fertile soil, adequate and reliable rainfall, and a climate in which most tropical and temperate crops can be grown combine in a country where only 6 per cent of its 24m hectares of arable land are cultivated. But that is set to change. Page 27

India on a private funding spree

Larsen and Toubro, an Indian high-technology engineering company, is offering Rs9.43bn in convertible debentures to its shareholders and the public in the second and largest of a dozen offers to hit the country's capital markets in six weeks from late September. In a drive to lift industrial growth from the present 8 per cent, prime minister Mr Rajiv Gandhi has liberalised procedures for setting up new industries, as long as they do not depend on state-run financial institutions for funds. And apparently, investors are ready to take risks. Page 27

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
Degussa	453	+	33	Gaz et Eaux	1690	+	169.5
Karstadt	580.0	+	74.5	Bongrain	838	+	105.9
Markel	325	+	33	SFIM	1680	+	279.7
Falls				Falls			
Henkel	540	–	55	Epeda Bertrand	1034	–	155.5
Veba	324	–	34	Lectoire	451	–	44.2
Vag	287	–	27	Metaleurop	218	–	20.8
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Pepsico	58½	+	1⅞	Ando Constr	1540	+	190
Procter & Gamble	127	+	3	Dai-Ichi Kogyo	1580	+	200
				Kanto Spec Stl	1770	+	200
Falls				Kitashiba Spr	1150	+	130
AMR	73½	–	2⅝	Tokyo Const	1470	+	180
CBS	198	–	3	Wakachiku Cnstr			
MCI Comms	42½	–	2⅝		270	+	300
UAL	197¼	–	25¼				

LONDON (Pence)							
Rises				Warburg (S.G.)	408	+	22
AngloSuisse	94	+	10	Whitbread A	383	+	17
BAA	332	+	6	Falls			
Body Shop	383	+	10	ASDA	137	–	14
Cadbury	424	+	12	BP	292	–	7
Capital Radio	955	+	45	BTR	411	–	10
DRG	579	+	10	Cable & Wire	479	–	20
Girvand & Natl	260	+	25	Dixons	108	–	9
Jaguar	654	+	6	Land Sec	494	–	12
Logica	325	+	18	Racal Elect	218	–	12
Midland	327	+	9	Royal Ins	438	–	21
Morgan Grenfell	392	+	20	Scott & New	359	–	11
Refuge	555	+	22				
Vibroplant	164	+	15				

Citicorp adds to confusion in UAL deal

By Anatole Kaletsky in New York

APPARENTLY contradictory comments from Citicorp, the US commercial bank which was to have led the financing of the proposed United Airlines leveraged buy-out, caused new confusion and anxiety on Wall Street yesterday.

The Dow Jones Industrial Average fell by as much as 60 points for a few moments just before lunchtime, as UAL's shares were suspended ahead of a clarifying statement from Citicorp.

"We do not have an agreement with either the borrower or banks, but are working with both towards coming to a satisfactory resolution of the financing," Citicorp said. UAL's shares, which led Friday's collapse on Wall Street and again on Monday, plunged a further $22 to $201 shortly after the announcement.

The stock market fell sharply for a few minutes in sympathy with the declining airlines sector, but prices of companies not involved in takeover speculation soon recovered to show only minor losses.

Citicorp's statement shocked the market because it seemed to contradict earlier press reports that Citicorp had made dramatic progress in reviving the UAL financing and earlier suggestions that a new deal might be announced within 24 hours.

The New York Times quoted Mr Rodney Ballek, a Citicorp executive in charge of corporate financing, as saying that he had received "expressions of interest" from other banks, "significantly in excess of what is required" to complete the UAL buy-out. Mr Ballek was not quoted regarding the price Citicorp might propose for it.

A Japanese news agency reported that Citicorp had given Japanese bankers a 24-hour deadline to support a new buy-out at $250 a share.

These stories were contradicted by the guidance provided both by British Airways, the main equity investor in the proposed deal, and by several Japanese banks.

BA officials said on Monday that the UAL buy-out was dead in its original form. They said it would take weeks, rather than days, to structure an alternative proposal, and that it was not certain that a new buy-out would be attempted. They reiterated this position yesterday.

Reports from Tokyo, meanwhile, suggested that Japanese banks remained sceptical about Citicorp's new $250-a-share proposals. The US bank was said to be offering fatter front-end fees as well as higher interest rates than it originally proposed to attract Japanese participation.

But this did not allay the two main concerns of the Japanese bankers – the lack of sufficient collateral and equity protection for bank lenders, and the possibility of labour unrest at United Airlines.

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Boeing may delay launch of aircraft

By Paul Betts, Aerospace Correspondent, in London

BOEING, the world's largest commercial aircraft manufacturer, could delay the launch of its 767X twin-engined passenger aircraft until early next year, as a result of the financial turmoil surrounding US airline stocks on Wall Street.

Mr Malcolm Stamper, Boeing's vice chairman, indicated yesterday that the launch of the 767X, which had been expected by the end of this month, "could slide" until 1990.

Speaking after an address in London to the Conference Board, the leading US business research group, Mr Stamper said the decision hinged not only on Boeing but also on the new aircraft's initial customers.

"It takes two to tango in this business," he added.

United Airlines (UAL) has widely been regarded as one of the potential launch customers of the 767X, a medium- to long-range wide-body aircraft.

Mr Stamper claimed that even if the aircraft, a key component of Boeing's longer-term commercial aircraft strategy and a competitor to the A330 Airbus, were not launched until next year, the company would still meet its target of first deliveries in 1995.

Amstrad plans include share buy-in

By Alan Cane

MR Alan Sugar, founder and chairman of Amstrad, the quoted UK electronics company, is to exploit the current low stock market price of his company's shares with a buy-in plan as part of a far-reaching strategy to return the company to growth and liquidity.

Mr Sugar warned yesterday that he would consider reprivatising the company unless the City gave it a more appropriate market valuation.

Announcing sharply lower profits for the year to June 30, 1989, Mr Sugar also outlined a series of measures aimed at helping Amstrad return to its former rate of growth and level of profit margins. These included:

● Closure of the audio division, Amstrad's original business, to specialise in video, digital television and satellite television receivers. Mr Sugar believes margins in the audio business are too low and the cost of following fashion there is too high. The move could lead to the loss of between 100 and 200 jobs.

● A new corporate structure which will include the formation of Amstrad UK, which will report to the Amstrad Group in the same manner as the company's ten overseas subsidiaries. The new structure will free Amstrad's top executives to concentrate on developing new management controls throughout the company.

The company's shares closed at 47p yesterday, down 4p on the day and down from 208p a year ago. This values the company at approximately £267m, substantially less than its asset value of £311m and reflects analysts' belief that Amstrad's problems will not easily be solved in the short term.

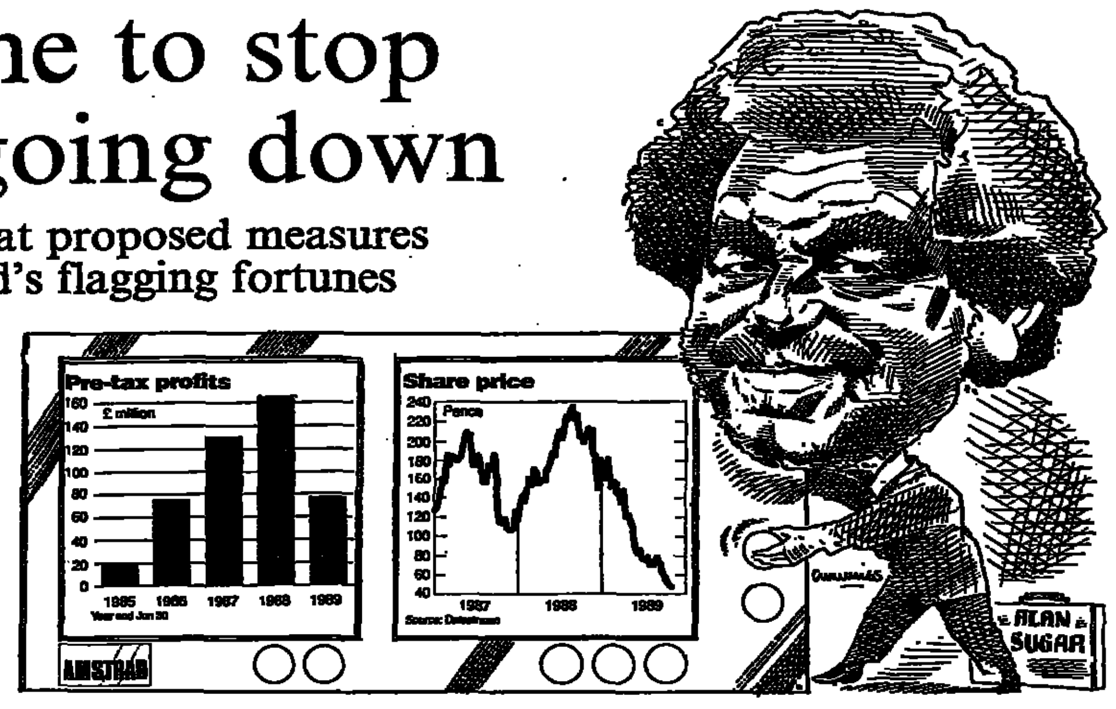
The shares have been hit in recent months by the problems the company has experienced with memory chips and disk controllers for its professional computer ranges and by fears for its sales as a result of high interest rates.

Amstrad profits for the latest year were £76m, down from the 1988 figure of £160m, on revenues virtually unchanged at £626m. The directors are recommending a dividend for the year of 1.4p per ordinary share.

Lex, Page 20

Medicine to stop Sugar going down

Alan Cane looks at proposed measures to revive Amstrad's flagging fortunes



Tarpaulin and scaffolding surrounds the Brentwood, Essex, headquarters of Amstrad, the electronics group.

The paraphernalia is there to place a 10th storey on top of the unprepossessing provincial office block.

But it serves as an apt metaphor for the restructuring that has been forced on a company which has been one of the glamour stocks of the 1980s and a symbol of entrepreneurial spirit in Prime Minister Mrs Margaret Thatcher's enterprise society.

For today Amstrad, which reported almost halved profits for its latest financial year, is coming to terms with a crisis of confidence, the most visible sign of which is the collapse of its share price from 208p last October to 47p yesterday.

Why the City should have lost so much faith in a company which only two years ago was one of the UK's highest fliers in the esoteric world of computers and electronic leisure gadgetry, is not difficult to understand.

The consensus there is that Amstrad's years of exponential growth are over and that it has some rough times ahead. Surprisingly it is a view at least partly shared by Mr Alan Sugar, Amstrad's shrewd, if rough-hewn, founder and chairman.

The part he agrees with is that there are tough times ahead for the company; but he does not doubt that the situation can be retrieved.

Amstrad's origins are in consumer audio, but its fortune is founded on the personal computer. In the mid 1980s Mr Sugar demonstrated his nose for a market niche when he created a computer-based word processor with screen and printer that sold for little more than the price of an electronic typewriter.

It was an instantaneous success. Amstrad followed with a series of competent home and business computers, buying the Sinclair name in the process when Sir Clive Sinclair's pioneering home computer company failed.

Amstrad has since moved into video, satellite receiver systems and facsimile machines, but computers are the backbone of the company's turnover.

Last year, home computers represented 16.1 per cent of the company's sales, and professional computers for the office, 55.4 per cent.

Its present plight is the result of a clutch of simultaneous technological and managerial deficiencies. In the past 18 months it has suffered a crippling shortage – now resolved – of computer memory chips which delayed the introduction of several important models of business computer. Mr Kenneth Ashcroft, Amstrad group finance director, estimated the direct cost to the company at £6m.

In an effort to safeguard chip supplies, Amstrad also bought nine per cent of US semiconductor company Micron for £44m. This stake is now worth only two thirds of what Amstrad paid for it and Mr Sugar told analysts yesterday it had been *"a lousy deal."*

The company also suffered from a technical fault in the disk controllers in its "2000" series of advanced personal computers which again cost it some £6m-£7m in recall and modification charges.

Mr Sugar's plan to turn the company around depends on a new corporate structure which devolves power to a much greater extent than Mr Sugar, a corporate autocrat, has envisaged before. He is also revising the company's strategy.

He intends to sacrifice short-term profits in a three year programme, to cut expenses, bring down overheads and reduce inventory.

As he noted in announcing yesterday's results: "The short term objective of getting the company in good shape will focus on securing its existing assets and its good brand name position in the market. It may be a bitter pill to swallow for some investors, since this policy may be at the expense of chasing profits, but will bring back the good liquidity which has been a feature of Amstrad's *balance sheet for the last three years.*"

Or, as he snapped during an interview after yesterday's meeting with City analysts: "I'm no longer going to chase profits to keep the stock market happy".

The analysts remain sceptical about the speed with which the company's finances can be improved. They point out that the company still has a stock inventory of £325m – roughly six months production – which has to be shifted through its dealer channels.

There is, they say, a refined form of brinkmanship between the company and its customers. Computers, like strawberries, have a distinct sell-by date or they become obsolete. Amstrad's challenge is to persuade retailers and distributors to take this inventory off its hands at a price which does not deepen the company's crisis.

Japanese company moves to HK

By Ian Rodger in Tokyo

YAOHAN, a Japanese stores group, is moving its headquarters to Hong Kong and concentrating on developing overseas outlets. This is believed to be the first time that a Japanese company has shifted its base abroad.

Mr Kazuo Wada, chairman, said Japan's law governing large retail chains hinders the expansion of department store groups. He has long been an outspoken critic of this law, claiming that its protection of small, family-owned shops contributes to high retail prices in Japan. The law has also become a target of US government criticism on the grounds that it prevents the rationalisation of Japan's anti-import distribution systems.

The family-controlled company, based in a small town 100 miles west of Tokyo, has become famous among Japanese retailers for opening department stores in Hong Kong, Malaysia, Singapore and the US and for adopting American management practices.

Sales abroad account for 35 per cent of group turnover, which stands at some Y190bn ($1.35bn). Yaohan aims to raise the overseas share to 60 per cent by 1997.

Yaohan has a maverick reputation – it recently announced a four-day week for employees, unheard of in workaholic Japan.

Its latest move will be welcomed in Hong Kong, where several local corporate groups have changed their domicile to Bermuda ahead of the reversion of the colony to China in 1997.

Last month, when the idea was mooted, a Yaohan official said the headquarters would stay in Hong Kong for five or six years and then the company would decide whether to move elsewhere. But Yesterday Mr Wada spoke confidently about the outlook for Hong Kong after 1992; he said the economic position would be far better then. Falling property prices now provided an opportunity for business expansion.

Mr Wada will move to Hong Kong to head a new holding company, Yaohan International, which will manage the entire group and hold a 10 per cent stake in Yaohan Departmentstore, the quoted Japanese company. Mr Wada said the company would also use the colony as a base to expand into property development and Chinese restaurant operation.

Since the sharp rise of the yen in 1986, Yaohan has developed a network of suppliers throughout Asia and the US.

Most large Japanese department store groups have concentrated on the domestic market, with only token representation in prestige locations such as London and New York. Yaohan has 22 stores overseas.

Ford lifts Jaguar stake to 10.4%

By Kevin Done in London

FORD OF the US has raised its shareholding in Jaguar to 10.4 per cent in its bid to gain eventual control of the UK luxury car maker.

The Ford move strengthens the likelihood of an all-out takeover battle for Jaguar between Ford and General Motors, the world's two biggest automotive groups.

Jaguar, which is battling to maintain at least a semblance of independence, has already rejected the Ford initiative as "unwelcome."

It announced last week that it was holding friendly negotiations with General Motors, Ford's arch domestic rival, and said that GM was considering taking a minority stake in Jaguar.

Four weeks ago Ford announced it was planning to buy an initial stake of up to 15 per cent in Jaguar with the ultimate aim of becoming "a major shareholder." It has taken advantage of the slump in world stock prices to buy shares aggressively last Friday and again on Monday.

It said yesterday that by the close of trading on Monday it had acquired or had agreed to acquire 19,035,300 shares in Jaguar, equivalent to around 10.4 per cent of the total Jaguar equity.

The Jaguar share price closed at 654p in London yesterday, an increase of 6p, in sharp contrast to the overall fall in London share prices.

Jaguar's discussions with GM "concerning the possibility of the two companies entering into certain manufacturing, marketing and other commercial joint ventures" had been expected to culminate in a deal this week. However, agreement has been delayed by the complicated nature of the package, which could involve both the injection of new capital by GM and share purchases in the market, and the deal is not now expected to be presented to Jaguar shareholders for approval until the end of the month.

Jaguar's articles of association limit individual shareholders to a maximum stake of 15 per cent. This ceiling can only be changed with the consent of the Government, which holds the so-called golden share, and the approval of three-quarters of Jaguar shareholders.

The golden share expires at the end of next year and it is understood that Jaguar and GM are unlikely to seek its early removal, as this provides at least some temporary protection from an all-out takeover bid from Ford.

GM has said it will increase the initial stake of 15 per cent it is seeking to around 25 per cent – staying shy of the 30 per cent that would trigger a full bid – when the golden share expires.

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WORLD MARKETS IN TURMOIL

US markets regain a sense of proportion

A little worry is good for the bull

AS WALL STREET lost its collective head on Friday over the breakdown of the absurdly over-leveraged United Airlines buy-out, Mr Michael Aronstein, a money manager with Comstock Partners, offered the best and briefest explanation of what was going wrong:

"The problem with this market is that it can't take a joke."

The joke, of course, was the idea that Citicorp and UAL's management-led consortium could ever have succeeded in pulling off the $6.8bn buy-out.

Now that the market seems to have stabilised, a growing number of Wall Street analysts and fund managers, are welcoming last Friday's stunning 200-point setback as the much-needed correction which will bring some realism and scepticism back to Wall Street - or remind investors not to forget their sense of humour, as Mr Aronstein might have said.

From this point of view, the events of the past few days have probably increased the ultimate longevity of the bull market.

The oldest platitude in the investors' lexicon is that a bull market needs to climb a "wall of worry." And that wall is now firmly back in place.

Just two weeks ago, the chairman of a top US investment bank confided over lunch in his mid-town office: "For the first time in my career - and I've been in this business for over 30 years now - I just can't see anything on the horizon that really worries me."

In recent months, comments like that have abounded as the perception developed of an economic "soft-landing."

After last week's debacle, investors now have at least one potential headache to worry about: the future of leveraged companies in general and of takeover candidates in particular.

This has not only deflated the level of speculation in the market. Far more importantly, it has produced a sense of caution and responsibility among commercial bankers around the world.

Even by the wild standards of LBOs in the US, the United Airlines deal had "chutzpah" and "danger" emblazoned on it from beginning to end.

Perhaps for the first time in history, commercial banks were being called on to lend more than a company's total market value, with no mezzanine financing and with all of the equity spent on debt refinancing and fees.

For the world economy and financial system, the deal's collapse was probably good news.

The markets should have been impressed by Japanese banks' ability to overcome their natural herd instinct and call a halt, as Citicorp tried to lead them into a lemming-like rush.

The biggest question now is whether complacency will return too quickly. Some bearish analysts were argueing yesterday that Monday's recovery and show of international co-ordination could even add to over-confidence in the medium-term.

There will now be a temptation to dismiss even the possibility of another 1987-style "meltdown" in prices - which was why many traders were perversely relieved yesterday, when Wall Street moved sharply down instead of continuing Monday's steep climb.

Anatole Kaletsky

NYSE Gains Monday October 16

COMPANY	CLOSE	CHANGE	% CHANGE
Germany Fund	11 5/8	+1 5/8	+16.3
Conagra	36 7/8	+4 7/8	+15.2
Austria Fund	13 1/8	+1 5/8	+14.1
Tandem Computers	24 3/4	+2 7/8	+13.1
Citicorp	32 1/2	+3 1/2	+12.1
Brazil Fund	11 5/8	+1 1/4	+12.0
Hilton Hotels	94 1/2	+9 1/2	+11.2
Reebok Int'l	15 1/4	+1 5/8	+11.1
Dow Jones & Co	34 5/8	+3 3/8	+10.8
Allied-Signal	35 3/8	+3 3/8	+10.5

NYSE Price Percentage Losers Friday October 13

COMPANY	CLOSE	CHANGE	% CHANGE
Hilton Hotels	85	-21 1/2	-20.2
Owens Corning	25 1/4	-5 1/2	-17.9
Mexico Fund	10 3/8	-2 1/4	-17.8
Integrated Resources Pfd	1 3/4	-3/8	-17.6
Conagra	32	-6 3/4	-17.4
Orion Pictures	21 1/2	-4 1/4	-16.5
Reebok Int'l	14 5/8	-2 7/8	-16.4
Citicorp	29	-5 1/2	-15.9
American Medical Int'l	20	-3 3/4	-15.8
Ramada Inc	9 1/2	-1 3/4	-15.6

UK leaders and laggards

Investors go for food but not for jelly

CITY market-makers may feel they have aged dramatically in the last few days, but they have not been buying Royal Jelly, supposedly vested with rejuvenating powers.

Regina Health & Beauty Products, which markets the queen bee food, emerged as one of the stocks hardest hit on Monday – perhaps because of Sunday press reports that Barbara Cartland had lost faith in the product.

Mr Gerald Simler, Regina's finance director, seemed untroubled by the drop and pointed out that the shares recovered slightly yesterday.

As in 1987, the market was led down by companies with few marketable shares, or those in special situations. Penny shares were worst hit because any movement is magnified in percentage terms.

Junior market stocks, which lagged the larger companies in the crash two years ago, were prominent this time. Of the 30 worst-performing shares on Monday, more than half were USM or Third Market stocks.

Worst hit was Bennett & Fountain, shares in which slipped 32 per cent. The retailer of electrical goods was heading for a fall anyway. After the market closed last Friday, it had warned of a "significant pre-tax loss" for the year, and the abandonment of a planned management buy-out of its retail division.

Following Bennett down was Delaney Group, the shopfitter, which is troubled by the poor retail climate and a boardroom split. Its shares – already slipping before Monday's correction – lost more than 30 per cent, pushed down by a single seller's attempt to offload some stock in a tight market.

Through one of those quirks which upsets the most logical tables, the markets made International Media Communications the best-performing share on Monday, up ½p from an all-time low of 6½p. Market fears proved well-founded yesterday when IMC announced it would be reporting a loss after a recent acquisition's failure to meet warranted profits.

More solid reasons lay behind the performance of Aitken Hume, the financial services group which announced a return to interim profits last Friday. Aitken's shares, not always the most comfortable investment, showed a 5 per cent rise to 58p on Monday, and crept up 3p yesterday.

Mr Jonathan Aitken, chairman, played down the rise, but it was particularly creditable given that financial services shares were hardest hit in Monday's volatile market.

Analysts attribute the sector's weakness to memories of 1987, when fund managers and discount houses which make up the index of other financial companies were savaged. The league table of sectors was topped and tailed by financial groups, with merchant banks predictably bringing up the rear, while life and composite insurers – supposedly resistant to economic downturns – were among the most resilient.

"Miscellaneous" stocks, including BAT Industries and underperforming security and alarm companies, were third in the list of sliding sectors.

For those looking to sift logic out of Monday's chaotic trading, there were only a few predictable trends, such as the underperformance of agencies, property and construction shares.

But the apparent resistance of chemicals companies, held up by a surprising amount of support for ICI, puzzled analysts.

If nothing else Monday's trading provided evidence that, when all else fails, investors will seek solace in the traditional way: food retailing, and brewing and distilling sectors both made the top 10.

Andrew Hill

SIX WORST UK STOCKS

STOCK	PRICE	% CHANGE
Bennett & Fountain	44p	–32
Delaney Group	43p	–32
Rockfort Group	47p	–30
Far East Resources	18p	–28
Lincoln House	44p	–27
Regina Health & Beauty	25p	–26

Source: Datastream

SIX BEST UK STOCKS

STOCK	PRICE	% CHANGE
International Media Communications	7p	+7.69
Chelsea Artisans	80p	+6.67
Aitken Hume	58p	+5.45
Continental Microwave	140p	+3.70
Brunning Group	110p	+1.85
Savoy Hotel 'B'	£185	+1.35

Source: Datastream

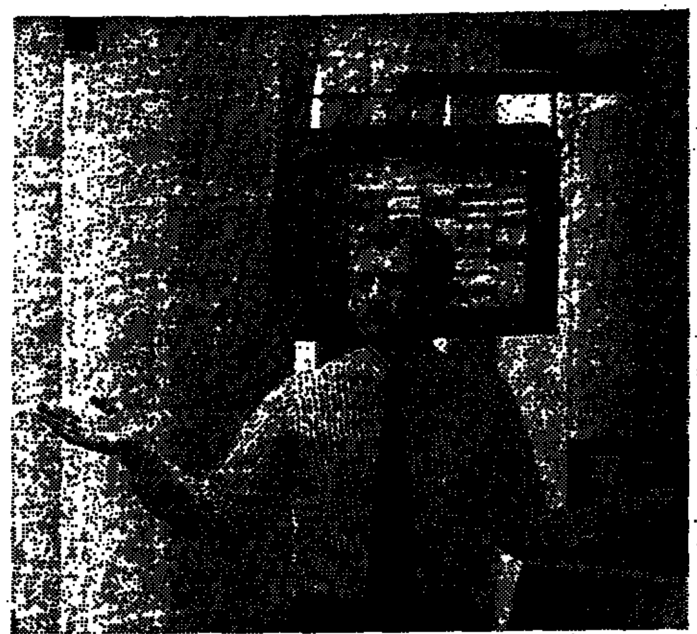
UK BEST (% FALL)

SECTOR	
Insurance (life)	1.7
Banks	1.9
Chemicals	2.1
Conglomerates	2.4
Insurance (composite)	2.4
Food retailing	3.0
Mining finance	3.0
Oil and gas	3.2

Source: FT-Actuaries Share Indices

UK WORST (% FALL)

SECTOR	
Other financial	9.4
Merchant banks	9.1
Miscellaneous	6.7
Investment trusts	6.5
Packaging and paper	6.0
Agencies	6.0
Contracting and constr	6.0
Overseas traders	5.6
Mechanical engineering	5.6



Who knows which way the markets will bounce? The last few days have seen shares staring into the abyss and staging rallies – dealers screens a rapidly changing picture of red and blue

US leaders and laggards

Blue chips prosper in selective recovery

WALL STREET'S recovery this week has been highly selective.

Airline stocks, which have soared this year on a wave of highly leveraged takeover bids, have taken the most severe beating and are probaly now trading at fair value based on their earnings fundamentals.

AMR, the parent company for American Airlines, continued to reel yesterday after Mr Donald Trump withdrew his $120 a share takeover offer.

UAL, the trigger for the tumultuous events of the last three sessions, was suspended again yesterday because of a deluge of sell orders because of indications that Japanese banks may not be willing to finance a new bid even at a lower price.

The hotels and entertainment sectors, both outperformers this year because of takeover speculation, were hit hard and have not recovered significantly. Hilton Hotels and Holiday Corp, were among Friday's largest losers, only partially rebounded on Monday and were again under pressure yesterday. So were CBS and Paramount Communications.

Blue chip issues were swept along in the selling on Friday if only because they are the most visible and the most liquid. They recovered strongly on Monday, even as the over-the-counter market came under more selling pressure.

Janet Bush

Singapore

Bouncing back with no regrets

A 10 PER CENT one-day fall in prices on any stock market takes some explaining, but Singapore's brokers, exchange officials and government are nevertheless in relaxed mood after Monday's mayhem.

Even before yesterday's recovery enabled the Straits Times Index to recoup 40 per cent of the previous day's 142.84 loss - and close 56.79 higher at 1341.83 - observers were falling over themselves to rationalise Monday's events.

The blame was put squarely on "over-reaction" among institutional investors, with heavy sell orders from overseas fund managers contributing to the decline.

Monday's fall was the third-biggest in the history of the Stock Exchange of Singapore, eclipsed only by the 169.14 collapse on Black Monday, and the 261.78 plunge on the following day, known locally as Terrible Tuesday.

More significantly, the latest decline was the largest among Asia's big exchanges after Malaysia, and much steeper than the 6.5 per cent fall in Hong Kong's Hang Seng Index.

Singapore brokers base their charges of over-reaction on the strength of the island republic's economic fundamentals. They also play down the effects of the fall for the broking industry, whose financial position has been revitalised since the 1985 collapse of Pan Electric, a local industrial group, temporarily shut the exchange and brought some smaller brokers to the brink of collapse.

The brokers pleas' have considerable validity, and were taken up by Dr Richard Hu, Finance Minister, yesterday. Looking back on the 1985 crisis and the worldwide crash two years later, he said: "This time round there is much less concern. Stockbrokers are much better capitalised."

There were, too, ample technical reasons for Monday's setback. The STI index had reached a post-crash high of 1431.85 only last Thursday, fuelled by the island's broad-based economic growth and a buoyant property sector.

Yesterday it seemed investors were taking brokers' strictures to heart. Monday's record trading trading volume of 212.5m shares was surpassed by a tad as institutions piled back into many of the property and other stocks that had been sold amid profit-taking one day earlier.

In the short term, the chief victims of Monday's events could be the domestic banks whose entry into the broking business was actively encouraged by Prime Minister Lee Kuan Yew's government and the ever-watchful Monetary Authority of Singapore, which regulates the financial sector.

Long-term, Monday's price fall may enable Singapore's financial regulators to consider themselves vindicated in their generally cautious policies.

Andrew Baxter

Hong Kong

A former weak link holds tight

HONG KONG has changed a lot in two years. As the past few days have shown, it is no longer one of the weakest links in the chain of stock exchanges which make up the global securities market place.

Whereas in 1987 the Hong Kong Stock Exchange gained worldwide notoriety by closing for four days, and the Futures Exchange collapsed in a HK$1.8bn (US$230m) heap of bad debts, this week the stock market took the Wall Street shock waves in its stride. "Our markets have matured very much since 1987. There was no need even to consider a closure of either the stock market or the futures market," Mr David Nendick, secretary for monetary affairs, said yesterday.

The market fell by just 6.5 per cent on Monday, a decline exceeded by markets in Singapore, New Zealand, Malaysia, and Australia. Yesterday, it recovered half its losses.

In fact, this week's problems were fairly minor for a market which survived a much worse local crash in June. After the tanks rolled into Tiananmen Square, the Hang Seng Index collapsed by 35 per cent.

According to Mr Robert Owen, chairman of the Securities and Futures Commission: "In an ironic way it was quite helpful. It put the structure under severe test." All margin calls were met and no broker went bust.

Last weekend Mr Nendick went on local television in an attempt to calm public fears. But yesterday he claimed to have "not the slightest concern" about how firms had been coping.

A series of reforms has been implemented since the 1987 crash, and the arrests of senior stock exchange officials which followed it (the trials are still pending).

In October 1988 a newly constituted Stock Exchange council was installed, on the basis of a new voting structure which broadened representation in what had formerly been regarded as a club run by a small group of insiders.

Early this year the Futures Exchange was restructured. In May the new Securities and Futures Commission assumed wide responsibilities, backed by powerful legislation.

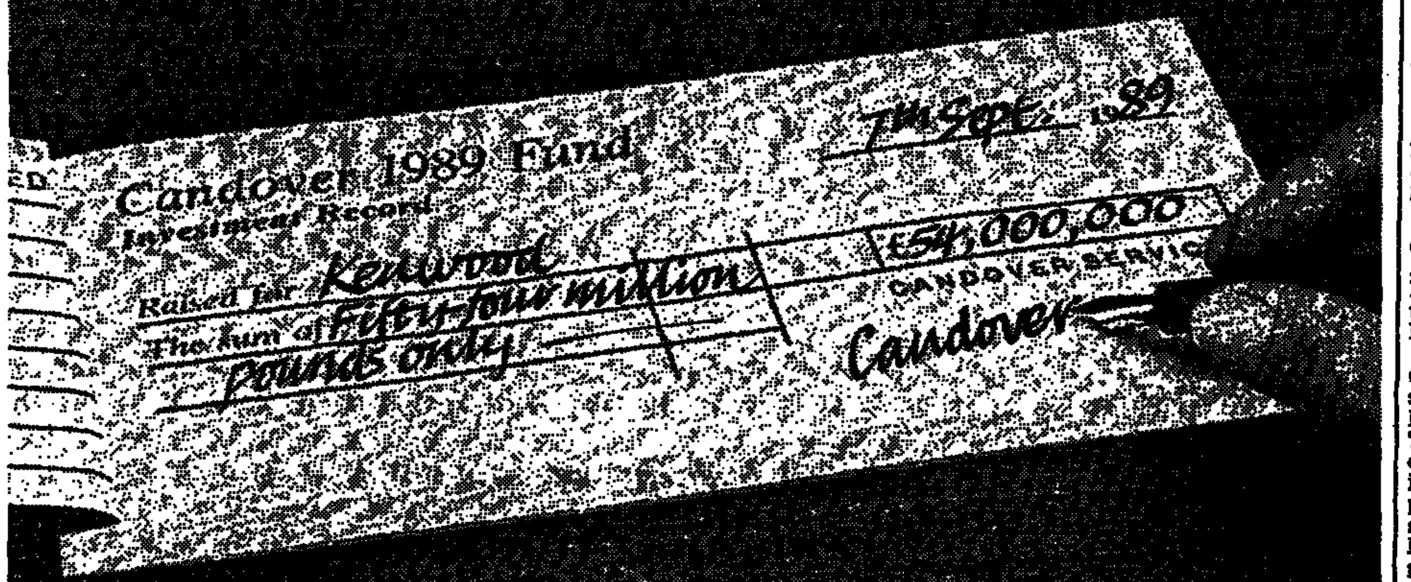
Tensions persist, however. The Stock Exchange and the SFC are at loggerheads over the Exchange's proposal to move from a one-day to a two-day (T plus 2) settlement basis. This is regarded by officials as not long enough to attract international interest, and to reflect the still excessive influence exerted by small local brokers.

However, the Futures Exchange is limping along at 1,000 to 1,500 contracts a day. It needs more like 4,000 to break even.

On the Stock Exchange, volume is a little more satisfactory but one important reason for this week's resilience is simply that share prices have only to a limited extent managed to join in the surge of share prices which has been experienced around the region.

Barry Riley

The UK's largest dedicated MBO fund is now operational.



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Candover's expertise is not purely in the UK. The company has formed strong associations in Europe with Joint Venture companies in France, the Netherlands and Germany, all of whom may well find opportunities for the new Fund in their own markets.

We Should Start Talking

There has never been so much demand for MBO investment and advice and we are continually discussing potential management buy-outs and delistings with company directors and managers, both buyers and sellers, as well as advisers. Especially now our new fund is in operation.

If you think you could be next, contact Roger Brooke or Stephen Curran on 01-583 5090.

CANDOVER

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This announcement appears as a matter of record only. October, 1989

Slade Holdings Limited

£20,500,000
Management Buy Out

Senior Debt, Mezzanine Finance and Working Capital arranged and provided by
Canadian Imperial Bank of Commerce

Equity Finance arranged and provided by
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Syndicate Partner
Mercury Asset Management Ltd.

The transaction was led, arranged and financed by

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INTERNATIONAL COMPANIES AND FINANCE

Co op unveils plans for DM350m rights issue

By David Goodhart in Bonn

CO OP, the troubled West German retailer which drew back from the brink of bankruptcy last month, yesterday unveiled plans for a far-reaching capital reconstruction aimed at raising DM350m ($188m) in fresh funds.

The company proposes to write down shareholders' capital from DM450m to just DM14,000, and then have a rights issue of 1.4m new shares at DM250 a share.

The new shares are to be initially taken up by Co op's house banks DG Bank and Bank für Gemeinwirtschaft.

Combined with a DM1.7bn debt write-off – out of total borrowings of DM2.6bn – the fresh capital means Co op has reached its goal of finding the funds necessary to re-establish itself as a going concern.

Existing shareholders who had their shares suspended at nearly DM300 last February will be offered three new shares for 17 old ones. This values their original shares at around DM44.

Some 72 per cent of Co op is owned by the four banks which have been leading the rescue effort for the company – Amsterdam-Rotterdam Bank, Swiss Bank Corporation, Security Pacific National Bank of the US, and Svenska Handelsbank International.

Co op also said yesterday it would pay about DM200m to holders of options and other debt instruments the company has outstanding.

Most observers still believe that, despite the restructuring, Co op has only a short-term future in its present form.

Talk of takeover is said to be premature but there has already been some informal contact between the company and the Berlin-based Federal Cartel Office.

Co op is Germany fifth biggest retail chain. It consists of some 1,600 supermarkets, DIY stores, department stores and specialist shops selling food, sports equipment, shoes and toys.

Trelleborg surges to SKr1.76bn

By Robert Taylor in Stockholm

TRELLEBORG, the Swedish industrial group with interests in mining, rubber, plastics and chemicals, reported a 50 per cent increase yesterday in profits (after financial items) for the first eight months of the year, to SKr1.76bn ($272m). Sales rose to SKr17.19bn from SKr13.25bn.

Looking ahead, Trelleborg said profits of 1989 as a whole would total around SKr2.6bn, up 30 per cent on 1988.

The forecast excludes any share of profits accruing to Trelleborg from Falconbridge, the Canadian nickel producer acquired earlier this year in alliance with Noranda. Trelleborg pointed out Falconbridge's eight-month turnover was SKr10.77bn while its pre-tax profit totalled SKr3.4bn.

The company also announced plans to reorganise its building and distribution divisions, which it proposes to turn into subsidiary companies from January with the long-term aim of offering around 50 per cent of each to shareholders, via an open market transaction.

Mr Frederik Arp, head of Trelleborg's rubber and plastics division, said the company intended to invest SKr55m in a new tyre plant for its subsidiary Bergougnan at Ghent in Belgium, which would mean a 30 per cent growth in capacity.

He added the company favoured investing abroad because of rising energy and labour costs in Sweden.

Trelleborg said it had achieved strong gains in sales and profits in all its sectors, except chemicals, during the first eight months.

The most impressive growth was in the mining and metals division where sales rose to SKr6.09bn from SKr4.42bn and profits after depreciation climbed to SKr969m from SKr557m.

Building and distribution increased turnover to SKr5.83bn from SKr3.08bn and profits to SKr241m from SKr106m.

Outokumpu to shut steel mill

By Enrique Tessieri in Helsinki

OUTOKUMPU, the Finnish base metal group, says its cold rolling mill production in the northern Finnish city of Tornio could be interrupted by the middle of next week if a wildcat strike by 126 workers is prolonged.

The Tornio works was forced to shut down its hot rolling mill last Thursday because of the strike which began on October 6.

Kymmene advances 13%

By Enrique Tessieri in Helsinki

KYMMENE, Finland's largest paper and pulp company, has increased net profits by 13 per cent to FM856m ($200m) for the first eight months of the year, on a 14 per cent advance in sales to FM5.43bn.

Gross profits were up 8 per cent at FM1.57bn, while profits before tax and extraordinary items advanced by 17 per cent to FM898m. Actual operating profit rose by just 2 per cent to FM1.08bn.

Profits in the second four months weakened, partly due to the introduction of two new paper machines and four coater units, and partly as a result of the revaluation of the markka in March this year.

Earnings per share for the eight months rose to FM11.1 from last year's FM10.

● Metsa-Serla, another paper and pulp company, reported eight-month profits after financial items of FM361m against FM367m. Sales rose 14 per cent to FM5.43bn.

Acquisitions by Hachette take profits to FFr134m

By William Dawkins in Paris

HACHETTE, the world's third largest publishing group, yesterday unveiled a gentle rise in trading profits for the first half of the year, but a near doubling of profits after exceptional gains.

Consolidated net profits rose 2.8 per cent to FFr133.8m ($21.2m) in the six months to June, as against FFr130.1m in the same period of last year. This included the first contributions from acquisitions made since then, including Salvat, the Spanish publisher, bought in September 1988, and Ferry-Peter, France's third largest printing company, acquired in March.

After exceptional profits, however, the rise was far steeper, from FFr124.5m in the first half of last year, to FFr246.6m.

The group published no other details, but repeated its earlier forecasts that the full year's profits would "be of the same order" as the FFr322.7m net achieved in 1988.

Hachette has recently been the subject of unexpected bourse activity following a move by Montana Management, a Panama-based management group, to build an 8.43 per cent stake in the company.

Yves St Laurent sales up 20%

By George Graham in Paris

YVES SAINT LAURENT, the French fashion and perfumes company floated on the Paris stock exchange in July, has reported first-half profits of FFr49m ($7.7m), compared with a loss of FFr35m in the first half of 1988.

Mr Pierre Bergé, the group's chief executive, said sales were 20 per cent up in the period at FFr1.29bn, adding that the seasonal structure of the perfume division, the main activity carried out directly by Yves Saint Laurent, meant that earnings were traditionally focused heavily on the second half of the year.

Foreigners buy into Greek market

Kerin Hope on the complexities of a growing Mediterranean trend

Foreign takeovers of local companies have become a regular feature of the Greek business scene as northern Europeans expand their markets in the Mediterranean and the post-war generation of Greek businessmen approaches retirement.

The first wave of acquisitions came more than two years ago after the former Socialist government removed a major hurdle to foreign investment by allowing profits and interest to be freely repatriated. At the same time, private sector profits showed a sharp rise after several years of stagnation or decline.

There was undisguised surprise in 1987 at Nestlé's takeover of Loumides, a struggling Greek coffee and chocolate producer, for a reported $7m. A year later, when another Swiss group, Jacobs Suchard, spent $8m to acquire 60 per cent of Pavlides, an equally old-fashioned chocolate maker, a takeover pattern had begun to establish itself.

"Greece is being included in international company strategies for consolidating their operation in southern Europe. For consumer products, it's not just a company that's acquired but its distribution network too," said Mr Dimitris Pavlakis of Alpha Finance, one of several new Greek companies dealing in mergers and acquisitions. Alpha Finance is controlled by Credit Bank, Greece's biggest private bank. Samuel Montagu, the UK merchant bank, is a minority shareholder.

Good banking connections are an important part of the takeover business. "A Greek company owner will confide in his banker first if he's thinking of selling out," said Mr Paul Tsouloufris of Eurocorp Euroholdings, which has links with Banque Worms in France and with Midland Bank in Greece.

Metaxa Distilleries: bought by GrandMet for $18m

No official statistics are available but more than 40 Greek companies are known to have changed hands since the beginning of 1987, two-thirds of them bought by foreigners. According to estimates from Top Invest, another Greek acquisitions specialist, 15 Greek food companies have become involved with foreign groups in different ways, ranging from full acquisition to minority participation.

Prices are not made public, but the Athens business grapevine is thought to have a fairly accurate idea: the average price of recent deals is thought to have been around $4-5m, sometimes rising above $10m.

Food and beverage businesses are still in greatest demand. But there is growing interest in companies producing household goods, cosmetics and toiletries, which are also, as one consultant put it, "areas where having a local brand is essential to getting a space on the supermarket shelf."

Other sectors are expected to undergo radical change and development after 1992. French insurance groups, notably Assurance Générale and Paris Union, have bought into Greek insurance companies. This is in anticipation of rapid expansion in a country where life insurance was almost unheard of until 10 years ago. A clutch of hotels, both in Athens and the major resort islands, has come on the market, triggering Japanese inquiries.

There has been little negative reaction to foreign takeovers, although rumblings of complaint were heard earlier this year when Grand Metropolitan of the UK took over Metaxa Distilleries, the brandy producer and one of Greece's most prestigious companies. Along with a 30 per cent stake in Kaloyannis Bros. which produces the leading ouzo brand, Grand Met acquired Metaxa for a reported $18m.

The Socialists raised no opposition to the deal and there has been no indication so far that foreign takeovers would be in any way restricted should a Conservative government take power after next month's election.

Greek companies, too, are staging takeovers, some with a view to revamping a company and selling it when the unified European market becomes reality. Fage, which distributes its brands of yoghurt widely in other European Community countries, has acquired half a dozen small companies making biscuits and pastry products as well as packaging over the past 18 months.

Mergers, however, tend to be rare, partly from cultural considerations. "I think we don't get mergers because it would be almost impossible for two Greek company owners to get along together. They just wouldn't work," said one acquisitions specialist.

The sellers are, for the most part, managing directors of family-owned companies, who, together with close relatives, hold a controlling interest. Many started out in the pioneering days of Greek industry in the 1950s and feel disinclined to make the adjustments necessary to compete in the unified market.

They have been slow to hire professional managers and their children are usually not interested in taking over.

"The problem was succession . . . I only have daughters. I'd been running the company for 35 years after taking over from my uncle and I was frankly relieved to be able to sell out," said the director of a packaging company taken over earlier this year.

Tight family controls rule out hostile takeovers, even of companies quoted on the Athens stock exchange, since groups of relatives are nearly always the majority shareholders. They also pose problems for prospective buyers when it comes to estimating a company's value. Balance sheets prepared for the tax authorities can be misleading: what matters are the figures in the managing director's notebook.

"Our advice to buyers from abroad is to be patient and take trouble over the human relationships involved. They must make an effort to understand the peculiarities of the situation here," is the advice from Mr John Fourlas, who runs Top Invest.

Orkla Borregaard improves to NKr257m

By Karen Fossli in Oslo

MODESTLY higher profits before assets disposals and extraordinary items were reported yesterday by Orkla Borregaard, the industrial and investment group which is Norway's sixth biggest company.

For the first eight months of 1989 group profits before asset disposals improved to NKr257m ($37.2m) from NKr243m in the comparable 1988 period. Including gains on disposals – which jumped from NKr79m to NKr191m – profits totalled NKr448m, against NKr322m last time.

The group's media operations made another loss – NKr7m against NKr9m loss – as a result of a weak advertising market. Consumer products profits dipped to NKr175m from NKr191m, despite progress in the Norwegian consumer goods market but the process industry division increased profits to NKr128m from NKr80m, helped by an improved chemical pulp performance.

Orkla's investment activies realised sales profits of NKr219m compared with NKr149m while booked profit nearly doubled to NKr206m from NKr112m. The market value of the group share portfolio is put at NKr4.24bn.

On October 27th SIMEX adds new interest to trading with the launch of the new Euroyen interest rate futures contract.

This timely launch is in response to growing demand from the banking and financial communities of the world, as the Japanese Yen increasingly becomes a major transaction, investment and reserve currency.

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STORA

STORA is the largest forest products company in Europe and is one of the leading companies worldwide in the markets for pulp, newsprint, fine papers, packaging paper, building materials and interior products.

The company, whose headquarters are in Falun, Sweden, has operations in 50 countries and a workforce of 54,000, of whom 29,000 are employed outside Sweden.

Profits improve by 20% to SEK 2.4 billion in first 8 months

The STORA Group's profit after net financial items improved 20 per cent. to SEK 2,446 m. (2,034). Invoiced sales rose 7 per cent. to SEK 27,170 m. (25,484).

In the Group's primary market of Western Europe, demand for forest industry products remains favourable. The market for pulp, which has developed well since 1986, is still stable. Demand for newsprint is increasing in Europe, although the North American market has suffered from some stagnation. Trends for the packaging paper and board product areas remain favourable, and STORA, through Papyrus, strengthened its position in the European fine papers market. Against this background, and as a result of increased deliveries from recently completed investments, the operating profit of the Group's forest industry sectors improved by slightly more than SEK 600 m.

Income Statement

	Eight months 1989 (SEK millions)	1988 Proforma including Swedish Match Jan-Aug (SEK millions)	1988 Reported amounts including Swedish Match May-Aug (SEK millions)
INVOICED SALES	27,170	25,484	19,848
Operating expenses	–22,679	–21,664	–16,501
Share in results of associated companies	68	34	39
OPERATING PROFIT BEFORE PLANNED DEPRECIATION	4,559	3,854	3,386
Planned depreciation	–1,409	–1,296	–1,037
OPERATING PROFIT	3,150	2,558	2,349
Net financial items	–704	–524	–345
PROFIT AFTER NET FINANCIAL ITEMS	2,446	2,034	2,004
Extraordinary income and expenses	180	–141	–141
PROFIT BEFORE APPROPRIATIONS AND TAXES	2,626	1,893	1,863
Of which, minority share	191	176	203

Forecast for the full year 1989

Market conditions for forest industry products are expected to remain generally favourable during the remainder of 1989. However, it is expected that demand will weaken somewhat further for construction-related products.

Against this background, and taking into account an increased interest rate level, it is anticipated that profit during the final four months of 1989 will correspond with the favourable results achieved during the equivalent period of 1988. Accordingly, it is estimated that profit for the full-year 1989, after financial income and expenses, will amount to approximately SEK 4,000 m.

Application for share listings in London and Frankfurt

STORA has announced its intention to apply to the Council of the International Stock Exchange in London and to the Frankfurt Stock Exchange for all the B Free shares to be listed on those exchanges.

This announcement appears as a matter of record only

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September 1989

CITICORP

INTERNATIONAL COMPANIES AND FINANCE

Third-quarter reverse for Citicorp

By Anatole Kaletsky in New York

CITICORP, the biggest US commercial bank, reported a fall in its third-quarter earnings despite its decision not to follow other major banks in raising its reserves for losses in Third World countries.

Citicorp's net income fell to $358m or 99 cents a share, down 9 per cent from the $394m or $1.13 it reported a year ago. The most important reason for the decline was a higher tax charge. The bank said its effective tax rate in the quarter was 42 per cent, compared with 34 per cent a year ago. Pre-tax income increased by 4 per cent to $619m.

Citicorp said its results "continued trends seen throughout the year" in its mix of businesses. On the positive side, these included strong profits from its global consumer banking operations, including local currency banking in Third World countries. Citicorp's worldwide net income from consumer operations increased by 27 per cent to $218m.

In contrast, Citicorp refered to "relatively flat, sometimes choppy" corporate finance and trading activities in the developed countries.

Last week, Citicorp was caught at the centre of the Wall Street panic over the financing of a proposed United Airlines buy-out.

The corporate financing and other non-consumer businesses in OECD countries produced profits of $188m, down 26 per cent from last year. However, the wholesale banking businesses in developing countries made profits of $99m, up 110 per cent.

The bank's lending business to developing countries again produced substantial losses of $70m after tax. This compared with a net loss of $80m a year ago.

In terms of the conventional breakdown of businesses between lending and other operations, Citicorp's net interest income was $1.88bn, up 5 per cent. Fees and commissions grew by 10 per cent to $1.09bn and trading account income jumped by 89 per cent to $68m, but foreign exchange profits fell 37 per cent to $89m.

Non-interest expenses increased by 10 per cent, largely because of investments in the credit card and international branch system.

Merrill Lynch hit by lower volume

By Martin Dickson in New York

MERRILL LYNCH, one of Wall Street's largest securities houses, reported a substantial drop in third-quarter net earnings to $41m, compared with $65.6m in the same period of 1988.

The figures underline patchy trading on Wall Street. Mr William Schreyer, chairman, said the results "reflect industry-wide softness in some of our core business activities. The lower volume of underwriting activity and principal transactions were partially offset by revenue increases from commissions and asset management fees."

The results included a third-quarter net loss of $2.2m, from the discontinued operations and disposal of its real estate brokerage subsidiary Fine Homes International, which compared with net earnings of $9.6m from FHI in the same period of 1988.

Net earnings from continuing operations totalled $43.2m in the third quarter, down from $56.1m in the same period the previous year, with earnings per share of 36 cents, down from 49 cents.

The quarter consisted of 13 weeks of operations, compared with 14 in 1988. Total revenues in the period rose 10 per cent to $2.8bn from $2.6bn.

Net earnings in the first nine months from continuing operations totalled $144.4m, compared with $164.1m in 1988.

Commission revenues in the third quarter advanced 21 per cent to $463m, reflecting increases in share prices and trading volume and strong mutual fund sales.

Principal transaction revenues declined 19 per cent to $815m, reflecting reduced trading revenues in fixed income securities.

Investment banking revenues declined 22 per cent to $297m, due primarily to lower levels of equity and municipal underwritings.

Abitibi profits slide 69%

By Robert Gibbens in Montreal

ABITIBI-PRICE, the big pulp and paper group controlled by the Reichmann family of Toronto, suffered a 69 per cent drop in profits in the third quarter as newsprint markets softened and the Canadian dollar rose further against the US currency.

Third-quarter profits were C$13.6m (US$11.6m), or 18 cents a share, down from $44.5m or 61 cents a year earlier, on revenue of $816m, against $813m.

Nine-month earnings were $68.7m or 92 cents a share, against $143m or $1.98, on revenues unchanged at $2.5bn.

Abitibi-Price, still narrowly the world's largest newsprint producer, exports most of its production to the US, but for the past three years it has been trying to diversify into higher value paper products.

● *MacMillan Bloedel*, the Canadian paper group controlled by Noranda, attributes lower earnings in the first nine months of the year to slackening newsprint markets, a stronger Canadian dollar and rising operating costs.

Nine-month profit was C$207.1m (US$176m) or $1.92 a share, down from $256.6m or $2.40 a year earlier. Sales were $2.48bn against $2.47m. The figures are before preferred dividends.

Third-quarter profit was C$65.4m or 60 cents, down from $70.5m or 66 cents a year earlier on sales of $818m, against $824m.

PepsiCo sees 15% gain for year

By Martin Dickson

PEPSICO, the world's second largest producer of soft drinks, yesterday announced an 11.5 per cent increase in third-quarter net income and forecast that earnings per share would rise more than 15 per cent in 1989, despite the diluting impact of a series of big strategic acquisitions.

The suburban New York company last summer bought the British snack food companies Walkers and Smiths Crisps for $1.35bn and it has been aggressively buying bottling operations as part of an industry rationalisation.

Third-quarter net income rose to $269.3m from $241.6m, on net sales up 25 per cent at $3.9bn. Earnings per share were up 12 per cent at $1.02.

Nine-month net income totalled $699.3m, up 22 per cent, on revenues ahead 28 per cent to almost 10.5bn and earnings per share up 21 per cent at $2.64.

PepsiCo said that, excluding the impact of acquisitions and last year's $9.4m pre-tax loss on the sale of a foreign winery, operating profits rose 20 per cent in the third quarter, with sales up 15 per cent.

Operating margin improvements in each of the group's three businesses – soft drinks, snack foods and restaurants – had contributed to the performance, with particularly good volume growth in snack foods and restaurants.

Soft drinks operating profits rose 36 per cent to $205.7m on sales up 26 per cent at over $1.5bn, though stripping out recent acquisitions and divestitures produced operating profits up 12 per cent and sales 7 per cent ahead. The main factor behind the growth was improved operating margins and higher pricing in the US.

Snack food operating profits jumped 30 per cent to $211m on sales 27 per cent ahead at $1.1bn. Excluding the Smiths and Walkers acquisitions, operating profits rose 25 per cent on sales 16 per cent ahead.

Domestic volume for PepsiCo's Frito-Lay brand was ahead by 7 per cent. International volume – stripping out the UK acquisitions – rose 40 per cent in the quarter.

PepsiCo's worldwide restaurant earnings – it owns the Pizza Hut, Kentucky Fried Chicken and Taco Bell chains – rose 25 per cent in the quarter to $139.1m on sales 22 per cent ahead at $1.3bn.

Morgan Stanley profit soars

By Martin Dickson

MORGAN STANLEY, one of Wall Street's leading investment banks, yesterday reported nearly doubled third-quarter earnings, helped by a jump in revenues from securities trading and a large gain from the restructuring of one of its equity investments in US companies.

Earnings totalled $101.1m or $2.54 a share, compared with $52.4m or $1.31 a share in the same period of 1988, while net revenues were $582.4m, against $423.8m.

Revenues from investment banking dipped from $204.9 to $194.2m, while revenues from trading securities as a principal rose from $103.9m to $186m.

Morgan Stanley has been one of the leading Wall Street proponents of so-called "merchant banking" under which banks have, over the past few years, taken equity interests in corporations for investment purposes.

The bank's revenues from this activity jumped from $2.7m in the third quarter of 1988 to $56.7m, thanks to a $56.2m gain from the restructuring of Burlington Holdings, a textile group.

Commission revenue rose from $50.8m to $60.6m while interest and dividend revenue totalled $953.8m, against $533.7m.

Consolidated net income for the nine months was $294.4m or $7.40 a share, compared with $286.3m or $7.41m in the same period of 1988. The bank said the balance and mix of its businesses was the key to maintaining earnings momentum. Mergers and acquisitions activity continued at high levels and its global sales and trading business again benefited from its strong market position, particularly in the areas of international equity related products and foreign exchange.

Security Pacific ahead by 10%

By Martin Dickson

SECURITY PACIFIC, the California-based banking group, announced third-quarter net income of $185.1m, up 10 per cent on 1988's corresponding $167.9m, with earnings per share up 5 per cent to $1.55.

Nine-month earnings were up 17 per cent at $548.9m, with earnings per share up 13 per cent to $4.67.

Net interest income in the third quarter was $727.9m, up 8 per cent, while non-interest income was $457.1m. down 6 per cent on the same period of last year, which included a $52m pre-tax gain from the sale of Hong Kong banking operations.

● NCNB, the North Carolina bank which is expanding very rapidly through the Southern US, said its earnings rose by 144 per cent in the third quarter, to $143.6m, with earnings per share more than doubling to $1.45, James Buchan adds.

MCI registers further strong growth

By Martin Dickson

MCI COMMUNICATIONS, the second largest US long distance telecomunications carrier, yesterday reinforced its strong growth over the past two years with a 60 per cent jump in third-quarter earnings.

Earnings totalled $158m, against $99m in the same period of last year, on revenue up 23 per cent at $1.67bn. Earnings per share increased for the ninth consecutive quarter to 62 cents, from 38 cents a year ago.

Operating income rose to $269m from $171m as operating margins continued to improve, reaching 16.1 per cent, up from 12.6 per cent.

The company said residential traffic volume had grown faster than business volume during the quarter, due largely to the introduction of a new calling plan and the expansion of its operator and payphone services.

"The company continued to garner a greater share of the business market and is making new inroads into the $23bn consumer market," said Mr Bert Roberts, MCI's president.

"Our ability to increase revenue and earnings is a direct result of both MCI's marketing expertise as well as its reputation for responsiveness and quality across markets."

Nine-month earnings totalled $428m, compared with $219m in the same period of 1988, on revenue of $4.76bn, up from $3.71bn, while earnings per share totalled $1.73, against 78 cents.

● GTE, which controls one of the largest telephone systems in the US, unveiled record third-quarter results, *adds Our Financial Staff.*

Revenues from its telephone operations increased 7 per cent to $3.1bn, while operating income rose 8 per cent to $731m.

GTE lifted net income to $368m from $318m last time which took earnings per share to $1.06, compared with 91 cents. Revenues moved ahead to $4.4bn, against $4bn.

The quarter's results also reflect a 10 per cent increase in the usage of domestic local-exchange networks for long-distance calling as measured by access minutes-of-use. GTE said the number of access lines in service also increased by 5 per cent from the year-ago quarter. These volume increases, however, were partly offset by rate decreases which became effective last April for inter-exchange carriers' access to local-exchange networks.

Nine-month net income increased to $1bn, from $898m, which lifted per share earnings to $3.01 from $2.62. Revenues advanced to $12.8bn from $12.2bn.

The company said earlier rate reductions in Texas and California lowered third-quarter revenues and operating income by $55m. The 1988 third-quarter operating income was reduced by a similar amount because of a provision for a reorganisation and streamlining of the telephone operations unit.

Vitro of Mexico acquires Anchor Glass for $800m

By Richard Johns in Mexico City

FLORIDA-BASED Anchor Glass Container has agreed to be acquired by Vitro of Mexico following a takeover struggle lasting more than two months.

The total cost of about $800m, which includes the assumption of $460m in Anchor debt, makes it by far the largest purchase by a Mexican corporation of any foreign entity. Earlier this year Vitro also bought Latchford Glass of Huntington Park, California, for an estimated $100m.

Vitro is paying $21.25 per share for Anchor, up from an original offer in August of $20. Security Pacific National Bank provided $139m in financing the tender offer while Donaldson Lufkin and Jenrette committed $155m for the purchase of both Anchor Glass and Latchford Glass.

Mr Ernesto Martens, Vitro president, said the acquisition of Anchor, which has $1bn in annual sales, would allow Vitro "to become a world player in the glass container industry."

It would operate Anchor as a fully independent US unit run by US managers.

Mr Vincent Naimoli, Anchor Glass chairman, said his board had succeeded in its attempts to maximise shareholder value. Vitro's original offer had been at a premium of 100 per cent over the price of its shares before the Mexican company started buying them in the market.

Last year Vitro earned the equivalent of $150m on revenues amounting to $1.1bn.

Vitro is also one of Mexico's leading manufacturers of white goods and fibres. Predominantly owned by the Sada family, it also owns 49 per cent of Cydsa, a holding company with big interests in fibres, plastics, chemicals, and packaging.

July 1989

Accumulator Invest A/S

investment company quoted on the Copenhagen Stock Exchange

has acquired all outstanding shares of

CONSORTIUM IMMOBILIER DE FRANCE S.I.I.

real estate investment company quoted on the Paris Bourse

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2¾ per cent. Convertible Bonds due 2000

To the Bondholders:

Pursuant to the Trust Deed relating to the captioned Bonds, it is hereby notified that Yamanouchi Pharmaceutical Co., Ltd., at its meeting of the Board of Directors on October 2, 1989, determined an issue price of ¥3,764 per share in respect of 15,000,000 shares of common stock offered in Japan and to be closed on October 20, 1989 which will cause the conversion price of the captioned Bonds to be adjusted with effect from October 21, 1989 because the market price of shares as ascertained pursuant to the Trust Deed was ¥3,811.3 per share. The conversion price so adjusted will, upon its determination, further be notified.

Yamanouchi Pharmaceutical Co., Ltd.
3-11, Nihonbashi-Honcho 2-chome,
Chuo-ku, Tokyo 103, Japan

Nationwide Anglia Building Society

£100,000,000
Floating Rate Notes
Due 1998
(Issued by Anglia Building Society)

Notice is hereby given that the Notes will bear interest at 15⅝% per annum from 17 October, 1989 to 17 January, 1990.

Interest payable on 17 January, 1990 will amount to £191.40 per £5,000 Note and £9,570.21 per £250,000 Note.

Agent Bank:
Morgan Guaranty Trust Company of New York
London

Notice to Noteholders

Prospect International
High Income Portfolio N.V.

Up to U.S. $82,500,000
Senior Floating Rate
Notes due 1998
(of which U.S. $41,250,000 has been issued)

Notice is hereby given that the Interest Rate for the period from 14th October, 1989 to 14th November, 1989 is 9.1125%. The Floating Rate Note Interest Amount payable on 14th November, 1989 is U.S. $7.85 per U.S. $1,000.

Bankers Trust Company, London Agent Bank

MELLON BANK CORPORATION

Floating Rate Notes due 1994

Notice is hereby given that for the interest period from 18th October, 1989 to 18th January, 1990 the notes will carry an interest rate of 8.0125% per annum.

CHEMICAL BANK
Agent Bank

INTERNATIONAL COMPANIES AND FINANCE

Anglovaal mines hit by labour costs and lower gold prices

By Jim Jones in Johannesburg

GOLD MINES in the South African Anglovaal group suffered the worst of all worlds during the September quarter as sharply higher labour costs, poorer gold recovery grades and lower gold prices combined to cut the profits of two mines and push a third into an operating loss.

Each of the mines felt the full effect of wage increases awarded in May and July though none has yet resorted to large-scale retrenchments.

Loraine, the worst affected of the three, was hit additionally by a lower ore processing rate and unit costs per tonne of ore milled were 9 per cent higher in the September quarter than in the three months to June.

Analysts in Johannesburg had expected Loraine to participate in the development of a new gold mine being planned by Anglovaal immediately to the north of the Loraine property. However, while Loraine generates losses or low profits it cannot offer any tax-saving advantages to the new venture.

Hartebeestfontein, the largest of the group's mines, overcame lower recovery grades by increasing the amount of ore processed from underground sources and low-grade surface dumps. Nevertheless, the profit from gold mining dropped and the pre-tax profit was further affected by a substantially increased loss from uranium and sulphuric acid sales.

The average underground recovery grade has continued to fall as the focus of mining operations has shifted towards the poorer western section of the mine.

Eastern Transvaal Consolidated, which operates a number of small mines near the town of Barberton, suffered metallurgical problems as ore supplies from its different mines varied. Additional processing equipment is being installed and the directors warn that gold recovery grades could vary considerably during the next few quarters.

Prospecting expenditure, concentrated on the hills surrounding the mine properties, has been reduced.

ANGLOVAAL GOLD QUARTERLIES

	Gold produced (kg)		After-tax profit (Rm)		Earnings per share (cents)	
	Sep 89	June 89	Sep 89	June 89	Sep 89	June 89
E.Tvl Cons	910	872	8.9	12.7	102.0	75.5
Hartebeest	7,615	7,610	42.2	68.1	32.7	37.3
Loraine	1,888	1,975	(1.3)	7.1	(45.4)	25.8

Earnings per share calculated after tax and capital expenditure. Parentheses = negative

Avesta down 8% as value of inventory is halved

By John Burton in Stockholm

A FALL in the value of its inventory has led to Avesta, the Swedish stainless steel manufacturer, reporting an 8 per cent fall in profits after financial items for the first eight months of 1989 to SKr585m ($89.8m) from SKr635m.

It warned that profits for the full year would be lower than the 1988 figure of SKr1.3bn, reversing its optimistic forecast in June that 1989 earnings would at least match those of the preceding year.

Avesta has been hurt by fluctuating prices for nickel, an important raw material in stainless steel.

It received a surge of orders last autumn as companies built up inventories in anticipation that stainless steel prices would rise as a result of higher nickel prices. But when nickel prices fell in the spring, companies began drawing down on their inventories, weakening market demand and reducing profit margins on stainless steel.

The value of Avesta's own inventory has been almost halved to SKr146m from SKr250m. Excluding the inventory valuation, Avesta's profits rose 15 per cent to SKr442m from SKr385m.

Sales climbed 38 per cent to SKr6.55bn from SKr4.73bn, mainly due to sizeable price increases in the first part of the year.

Avesta estimates the demand for stainless steel will continue to grow, but at a lower level than in 1988 as customers continue to reduce their stockpiles.

It also reported that profits had declined for cold rolling plate steel but had improved for warm rolling plate steel.

SHEARSON LEHMAN HUTTON

PARIBAS LIMITED

Underwriters

Western Capital Limited
PHARMACEUTICAL INVESTMENT

$A20,000,000

is pleased to announce the private placement of 10 million ordinary 50 cent shares at a premium of $1.50 per share resulting in the raising of $A20,000,000

September 6, 1989

Shearson Lehman Hutton and Paribas Limited are both members of The Securities Association
(This announcement appears as a matter of record only)

Mortgage Bank of Finland Ltd.

£15,000,000 11¾ per cent. Notes 1989

Notice of Final Redemption

S. G. Warburg & Co. Ltd. announce that all outstanding Notes are redeemable at par on 18th November, 1989 and that interest will cease to accrue on that date.

Notes are payable at the office of:—

S.G.Warburg & Co.Ltd. Paying Agency, 2 Finsbury Avenue, London EC2M 2PA
or
Banque Internationale a Luxembourg S.A., 2 Boulevard Royal, P.O.Box 2205, 2953 Luxembourg

Notes and Coupons will become void unless presented for redemption or payment within 10 years and 5 years respectively from the due date.

The following Notes drawn for redemption on the dates stated below have not yet been presented for payment:—

18th November, 1988

13 16 283 286 289 292 295 298
301 304 307 310 313 316 319 322

18th November, 1987

48

18th October, 1989

Malaysia banks on financial restructuring

Lim Siong Hoon on government plans to fund a booming economy and combat debt

Malaysia's banking sector is headed for a big restructuring, partly so that it can help fund a booming economy and partly to make up for the billion-dollar losses the banks have suffered in previous years.

Goaded by Bank Negara, the central bank, many of the country's 50 commercial and merchant banks will soon have new partners under reorganised equity structures.

Some of the foreign banks operating in Malaysia will be encouraged to merge with domestic ones, with a few of these mergers happening within the next three months.

Other foreign banks, new to the country, will each be able to buy up to 20 per cent in a domestic bank, according to Mr Jaffar Hussein, Bank Negara governor.

This equity reorganisation, unprecedented in the country's banking sector, is aided by a new piece of legislation, the Banking and Financial Institutions Act, and directed by the central bank.

The law will affect most of all the 16 foreign banks which have until 1994 to incorporate their business locally if they want to keep their banking licences. After their incorporation, the banks have a few options.

- A foreign bank can keep equity control of its local unit but will still be denied privileges already enjoyed by the domestic banks. All these banks are currently 100 per cent owned by their parent abroad.
- The parent can reduce its shareholding to under 50 per cent and so be considered a domestic bank. The central bank has indicated that it prefers this second route.

So as not to alienate the foreign partners, Mr Jaffar has offered them management control of the joint ventures. A few foreign banks have told the central bank they want to go further – giving up their licences following a merger with local banks. But there will be no new issues of banking licences to foreign institutions.

BANK BUMIPUTRA Malaysia has approved a capital restructuring to pump in 982.4m ringgit (US$364.2m) after a second round of big losses, Reuter reports.

Petronas, the national oil company which owns 90 per cent of Bank Bumiputra, will inject the money in two stages.

Based on Mr Jaffar's announcements on the impending number of mergers and the coming of new foreign banks, the scale of the banking reorganisation is going to be big. Just how big, however, is unclear.

Assets of the commercial and merchant banks total 150bn ringgit (US$56bn), a quarter belonging to foreigners. Among the overseas banks, Hongkong and Shanghai Banking Corporation, with 9bn ringgit, is ranked the largest by assets; the smallest, with 82m ringgit, is United Overseas Bank of Singapore.

No local individual can own more than a 20 per cent stake in a bank. This, Mr Jaffar said, was an anomaly in the system since foreigners could have 100 per cent ownership. The new law, he said, "levels the playing field" somewhat.

There could be other reasons to the coming changes, though. Over the years, central bank and government officials have complained that the country has far too many small banks. The first-ranked Malayan Banking's assets of 30bn ringgit are as much as 20 of the 23 domestic banks' combined.

The government wants larger, multi-service banks to take up equity and to fund an expanding manufacturing sector as well as privatisation.

Another reason for the overhaul has to do with the losses and bad debts at several banks. In recent years, the central bank has had to make good 1bn ringgit in accumulated losses at four of these banks: United Asian, Habib, Sabah and Oriental.

Daiei lifts first-half profits by 5.5%

By Ian Rodger in Tokyo

PRE-TAX profits of Daiei, a leading Japanese supermarket group, rose 5.5 per cent in the six months to August to Y11.3bn ($78.5m) on sales of Y866.4bn, up 7 per cent.

Daiei said sales in its retail division were up 7.2 per cent while those of the wholesale division gained 6.3 per cent. The introduction of a point-of-sale computer system helped improve efficiency, but the higher cost of new-store openings and store refurbishment held back the growth of operating profits to 1.6 per cent.

For the full year to February, Daiei expects pre-tax profit to reach Y25.5bn, 7 per cent ahead of last year.

Anglovaal Group

Mining companies' reports – Quarter ended 30 September 1989

All companies mentioned are incorporated in the Republic of South Africa.

All financial figures for the quarter and progressive figures for the current year to date, including those of Loraine Gold Mines, Limited, are unaudited.

Rate of exchange on 30 September 1989: R1,00 = £0,22, £1,00 = R4,44.

Development results given are the actual sampling results. No allowance has been made for adjustments necessary in the valuation of the corresponding ore reserves.

Shareholders requiring copies of these reports regularly each quarter, should write to The Secretaries, Anglo-Transvaal Trustees Limited, 295 Regent Street, London W1R 8ST.

Hartebeestfontein Gold Mining Co Ltd

Reg. No. 05/32628/06
Issued capital: 112 000 000 shares of 10 cents each

	Quarter ended 30 Sept 1989	Quarter ended 30 June 1989	Financial year ended 30 June 1989
Operating results			
Gold			
Ore milled ... t	805 000	786 000	3 158 000
Gold recovered ... kg	7 044	7 036	29 215
Yield ... g/t	8,8	9,0	9,3
Revenue ... R/t milled	283,06	301,26	312,65
Costs ... R/t milled	183,35	164,69	156,47
Profit ... R/t milled	99,73	137,17	156,18
Revenue ... R/kg	32 351	33 712	33 796
Costs ... R/kg	20 954	18 393	16 914
Profit ... R/kg	11 397	15 319	16 882
Revenue ... R000	227 883	237 263	987 342
Costs ... R000	147 597	129 448	494 142
Profit ... R000	80 286	107 815	493 200
Low-grade gold plant			
Ore milled ... t	406 000	365 000	1 550 000
Gold recovered ... kg	571	572	2 417
Yield ... g/t	1,40	1,49	1,56
Revenue ... R/t milled	44,95	49,35	50,43
Costs ... R/t milled	17,20	17,20	15,67
Profit ... R/t milled	26,76	31,12	34,76
Revenue ... R/kg	31 911	32 524	32 339
Costs ... R/kg	12 790	11 575	10 046
Profit ... R/kg	19 121	20 949	22 293
Revenue ... R000	18 221	18 604	78 164
Costs ... R000	7 303	6 621	24 282
Profit ... R000	10 918	11 983	53 882
Uranium oxide			
Pulp treated ... t	805 000	786 000	3 158 000
Oxide produced ... kg	82 775	82 690	353 834
Yield ... kg/t	0,10	0,11	0,11
Financial results	R000	R000	R000
Working profit—gold mining	91 204	119 798	547 082
(Loss)/profit from sales of uranium oxide and sulphuric acid	(4 987)	(665)	(4 930)
Non-mining income	14 289	13 812	51 270
Net refunds received	655	(2 573)	1 265
	101 161	130 172	594 687
Other expenses – interest paid, currency adjustments, stores adjustment and employee service benefits	1 516	5 542	6 653
Profit before taxation and State's share of profit	99 645	124 630	588 034
Taxation and State's share of profit	57 400	55 151	324 381
Profit after taxation and State's share of profit	42 245	69 479	263 653
Capital expenditure	5 604	28 493	60 611
Appropriation for loan repayments	844	603	1 159
Dividends	–	112 000	201 600
	6 448	141 096	263 370
Development			
Advanced ... m	11 883	10 367	41 052
Sampling results on Vaal Reef			
Sampled ... m	1 842	1 444	5 644
Channel width ... cm	74	62	69
Channel value—gold ... g/t	18,4	27,6	20,0
... cm.g/t	1 372	1 718	1 385
—uranium oxide ... kg/t	0,38	0,40	0,36
... cm.kg/t	28,51	24,64	24,83

Financial
The profit before taxation includes results of hedging transactions concluded during the quarter.

In terms of the Company's articles of association, the directors' borrowing powers are limited to R50 000 000. At 30 September 1989 borrowings totalled R7 159 000 (1988: R8 267 000) of which long-term borrowings amounted to R6 046 000 (1988: R8 106 000) and short-term to R1 113 000 (1988: R161 000).

Hedging transactions
As at 30 September 1989 the Company had sold a portion of its future gold production as detailed below:

Quarter ending	Kg of gold sold	Forward price per kg sold
31 December 1989	3 910	R34 952

The forward price has been calculated at the R/$ exchange rate ruling on 30 September 1989.

Dividend
Final dividend No. 67 of 100 cents per share, declared in June 1989, was paid in July 1989.

Capital expenditure
Outstanding commitments at 30 September 1989 are estimated at R7 273 000 (30 June 1989: R7 238 000).

For and on behalf of the board
B.E. Hersov
D.J. Crowe *Directors*

Directors: B.E. Hersov D.M.S. (Chairman), B.L. Bernstein Hon. LL.D. D.J. Crowe, A.J. Field, J.J. Geldenhuys, E.P. Gush, G. Maude, Clive S. Menell, T.L. Pretorius
Alternate directors: P.J. Eustace, K.M. Hosking, T.C. Rees, G.J. Robbertze, P. Teljeard, J.E. van Niekerk, R.A.D. Wilson

18 October 1989

Prieska Copper Mines Ltd

Reg. No. 68/00320/06
Issued capital: 54 000 000 shares of 50 cents each

	Quarter ended 30 Sept 1989	Quarter ended 30 June 1989	Financial year ended 30 June 1989
Operating results			
Ore milled ... t	326 000	324 000	1 324 000
Concentrates produced			
Copper ... t	4 583	5 079	21 264
Zinc ... t	8 402	10 807	40 647
Concentrates despatched			
Copper ... t	4 452	4 979	25 992
Zinc ... t	9 517	4 242	39 662
Financial results	R000	R000	R000
Operating profit	1 184	4 404	21 118
Non-mining income	571	1 207	3 555
Profit before taxation	1 755	5 611	24 673
Taxation	2 144	476	13 007
(Loss)/profit after taxation	(389)	5 135	11 666
Capital expenditure/(recoupments)	(2 674)	28	(556)
Dividend	–	8 457	19 267
	(2 674)	8 485	18 711
Development			
Advanced ... m	94	15	2 298

Financial
Despatches, which vary from quarter to quarter, are brought to account at their estimated receivable value. Operating profit takes into account adjustments following final price determinations on despatches made during previous quarters.

The operating profit for the quarter includes a further provision of R80 000 towards the anticipated costs which will be incurred to comply with statutory and other obligations associated with the eventual closure of the mine. The total amount provided to 30 September 1989 is R13 446 000 (30 June 1989: R13 366 000).

Prieska Copper Mines Limited – Continued

Operations
Underground mining and hoisting operations were maintained during the quarter at the previous year's rate of approximately 110 000 tons per month. However, hoisting of ore from underground was temporarily suspended at the end of the quarter to allow for the conversion of the man winder to a rock winder (following disposal of the Koepe winder) to enable the hoisting of approximately 30 000 tons per month of ore from underground. This rate should be achieved before the end of the December quarter on a sustainable basis for approximately eighteen months. The emphasis during the December quarter will be on the treatment of waste surface material pending the resumption of underground mining and hoisting at the reduced level indicated. As metal prices, exchange rates and cost controls will be critical factors in determining the profitability of these operations, results will be closely monitored on a monthly basis to ensure that if overall profitability is not achieved, the cessation of operations will be effected without delay.

Dividend
Final dividend No. 11 of 15,6796 cents per share in respect of the year ended 30 June 1989, declared on 26 July 1989, was paid on 16 August 1989.

Capital expenditure
There were no outstanding commitments at 30 September 1989 (30 June 1989: Nil).

For and on behalf of the board
D.J. Crowe
B.E. Hersov *Directors*

Directors: D.J. Crowe (Chairman), I.L. Benfield, B.J. Funston, J.J. Geldenhuys, B.E. Hersov D.M.S., Clive S. Menell, G.J. Robbertze, R.A.D. Wilson
Alternate directors: J.J. Geldenhuys, G.J. Robbertze

18 October 1989

Loraine Gold Mines, Ltd

Reg. No. 05/39138/06
Issued capital: 16 366 986 shares of R1,00 each

	Quarter ended 30 Sept 1989	Quarter ended 30 June 1989	Financial year ended 30 Sept 1989
Operating results			
Ore milled ... t	388 000	395 000	1 611 000
Gold recovered ... kg	1 888	1 975	8 029
Yield ... g/t	4,9	5,0	5,0
Revenue ... R/t milled	162,13	176,01	166,85
Costs ... R/t milled	168,88	155,38	156,71
(Loss)/profit ... R/t milled	(6,75)	20,63	10,14
Revenue ... R/kg	33 319	35 202	33 478
Costs ... R/kg	34 707	31 075	31 444
(Loss)/profit ... R/kg	(1 388)	4 127	2 034
Revenue ... R000	62 907	69 523	268 796
Costs ... R000	65 527	61 374	252 467
(Loss)/profit ... R000	(2 620)	8 149	16 329
Financial results	R000	R000	R000
Working (loss)/profit—gold mining	(2 620)	8 149	16 329
Profit from sales of pyrite	396	106	1 397
Non-mining income	3 878	3 481	13 450
	1 654	11 736	31 176
Interest paid, stores adjustment and service benefits	1 352	436	2 310
Royalties paid	184	–	184
Profit before taxation and State's share of profit	118	11 300	28 682
Taxation and State's share of profit	1 401	4 203	10 763
(Loss)/profit after taxation and State's share of profit	(1 283)	7 097	17 919
Capital expenditure	6 032	2 900	14 909
Appropriation for loan repayments and adjustments for currency fluctuations	118	66	261
	6 150	2 966	15 170
Development			
Advanced ... m	9 972	8 948	37 257
Sampling results:			
Kimberley reefs			
Sampled ... m	404	422	1 824
Channel width ... cm	111	86	93
Channel value ... g/t	5,0	4,5	8,7
... cm.g/t	553	390	812
Basal reef			
Sampled ... m	452	422	1 766
Channel width ... cm	8	8	8
Channel value ... g/t	84,5	98,8	94,3
... cm.g/t	701	810	784
Eldorado reefs			
Sampled ... m	496	628	2 792
Channel width ... cm	108	104	99
Channel value ... g/t	11,1	7,2	8,3
... cm.g/t	1 198	745	822
Total – all reefs			
Sampled ... m	1 354	1 472	6 382
Channel width ... cm	76	71	72
Channel value ... g/t	11,1	9,3	11,2
... cm.g/t	839	662	809

Ore reserves
The total ore reserve at 30 September 1989, based on a gold price of R34 250 per kilogram, is estimated as follows:

	Kimberley reefs	Basal reef	Eldorado reefs	Total and averages
Tonnage ... t	970 000	2 263 000	1 977 000	5 210 000
Stoping width ... cm	118	88	129	108
Value ... g/t	8,3	9,4	9,7	9,3
... cm.g/t	977	829	1 257	987

Not included in the Eldorado Reefs are massive orebodies estimated to contain a total of 357 000 tons at an average grade of 6,8 g/t.

The pay limit may be adjusted on a quarterly basis to take account of material changes in the gold price.

Financial
The profit before taxation includes results of hedging transactions concluded during the quarter.

In terms of the Company's articles of association, the directors' borrowing powers are limited to R35 000 000. At 30 September 1989 borrowings totalled R5 278 000 (1988: R5 716 000), of which long-term borrowings amounted to R5 041 000 (1988: R5 596 000) and short-term to R237 000 (1988: R120 000).

Hedging transactions
The Company has entered into certain option contracts so as to enhance gold revenue should the gold price be below $370 per ounce during the quarter ending 31 December 1989:

Quarter ending	Put options purchased
31 December 1989	933 kg (30 000 ozs)

In addition the Company had, at 30 September 1989, sold a portion of its future gold production as detailed below:

Quarter ending	Kg of gold sold	Forward price per kg sold
31 December 1989	1 025	R34 952

The forward price has been calculated at the R/$ exchange rate ruling on 30 September 1989.

Capital expenditure
Outstanding commitments at 30 September 1989 are estimated at R1 181 000 (30 June 1989: R1 055 000).

For and on behalf of the board
D.J. Crowe
J.J. Geldenhuys *Directors*

Directors: D.J. Crowe (Chairman), P.J. Eustace, J.J. Geldenhuys, B.E. Hersov D.M.S., L. Hewitt, G. Maude, Clive S. Menell, J.E. Olivier, S.W. van der Coll, R.A.D. Wilson
Alternate directors: J.H.J. Burke, B.J. Funston, B.J. Lawrenson, T.C. Rees, G.J. Robbertze, J.E. van Niekerk, K.A. West

18 October 1989

Eastern Transvaal Consolidated Mines, Ltd

Reg. No. 01/08442/06
Issued capital: 4 316 678 shares of 50 cents each

	Quarter ended 30 Sept. 1989	Quarter ended 30 June 1989	Financial year ended 30 June 1989
Operating results			
Ore milled ... t	94 200	89 800	363 200
Gold recovered ... kg	910	872	3 582
Yield ... g/t	9,7	9,7	9,9
Revenue ... R/t milled	315,92	326,83	331,33
Costs ... R/t milled	164,89	152,81	143,74
Profit ... R/t milled	151,03	174,02	187,59
Revenue ... R/kg	32 703	33 657	33 595
Costs ... R/kg	17 069	15 736	14 575
Profit ... R/kg	15 634	17 921	19 020
Revenue ... R000	29 760	29 349	120 339
Costs ... R000	15 533	13 722	52 208
Profit ... R000	14 227	15 627	68 131
Financial results	R000	R000	R000
Working profit—gold mining	14 227	15 627	68 131
Non-mining income	1 211	1 280	4 498
	15 438	16 907	72 629
Prospecting expenditure	602	3 317	7 116
Stores realisation adjustment	–	143	143
Profit before taxation	14 836	13 447	65 370
Taxation	5 946	537	17 644
Profit after taxation	8 890	12 910	47 726
Capital expenditure	4 489	9 511	29 571
Dividends	–	11 439	17 914
	4 489	20 950	47 485
Development			
Advanced ... m	1 971	2 214	9 295
Sampling results:			
Sampled ... m	811	932	3 768
Channel width ... cm	234	226	220
Channel value ... g/t	8,5	3,8	7,0
... cm.g/t	2 000	849	1 543

Operations
Metallurgical recoveries are being affected by variations in the nature of the ore supplies from certain mines. Appropriate action is being taken to overcome this problem. In the meantime, a portion of the gold-bearing concentrates is being stockpiled for re-treatment by ancillary plant to be installed during the next few months. In the circumstances, it is possible that significant variations in quarterly recovery grades will be experienced during the year.

Financial
The profit before taxation includes results of hedging transactions concluded during the quarter.

Hedging transactions
As at 30 September 1989 the Company had sold a portion of its future gold production as detailed below:

Quarter ending	Kg of gold sold	Forward price per kg sold
31 December 1989	436	R34 952

The forward price has been calculated at the R/$ exchange rate ruling on 30 September 1989.

Dividend
Final dividend No. 78 of 265 cents per share, declared in June 1989, was paid in July 1989.

Capital expenditure
Outstanding commitments at 30 September 1989 are estimated at R3 015 000 (30 June 1989: R3 981 000).

For and on behalf of the board
D.J. Crowe
J.J. Geldenhuys *Directors*

Directors: R.A.D. Wilson (Chairman), D.J. Crowe, J.J. Geldenhuys, B.E. Hersov D.M.S., Clive S. Menell, G.J. Robbertze, J.E. van Niekerk
Alternate director: B.J. Funston

18 October 1989

Consolidated Murchison Ltd

Reg. No. 05/05478/06
Issued capital: 6 240 000 shares of 10 cents each

	Quarter ended 30 Sept 1989 R000	Quarter ended 30 June 1989 R000	Financial year ended 30 June 1989 R000
Financial results			
Antimony revenue—net	3 738	6 649	25 552
Gold revenue	4 914	5 461	28 155
Sundry mining income	36	50	304
Total mining revenue	8 688	12 160	54 011
Costs of sales	10 136	10 794	44 545
Operating (loss)/profit	(1 448)	1 366	9 466
Non-mining income	335	1 276	2 850
	(1 113)	2 642	12 316
Prospecting expenditure	385	254	1 169
(Loss)/profit before taxation	(1 498)	2 388	11 147
Taxation	–	285	927
(Loss)/profit after taxation	(1 498)	2 103	10 220
Capital expenditure	941	1 730	5 567
Dividend	–	1 872	1 872
	941	3 602	7 439

Financial
The 44 per cent decline in antimony sales revenue is attributable to:
(i) a slackening in demand for concentrate which is seasonal but may also herald a slow-down of economic activity in the northern hemisphere; and
(ii) continued discounting by Chinese producers which kept prices in US dollar terms at the lower levels which prevailed at the end of the previous financial year.

As expected, lower gold production resulted in gold revenue declining by some 10 per cent.

Dividend
Final dividend No. 81 of 30 cents per share, declared in June 1989, was paid in August 1989.

Capital expenditure
Outstanding commitments at 30 September 1989 are estimated at R389 000 (30 June 1989: R454 000).

Industrial relations
Despite protracted negotiations which included referral to the conciliation board and independent mediation, Management and the National Union of Mineworkers have not been able to settle a dispute concerning the 1989 review of wages and associated conditions of employment. Following a ballot, the mine's black workforce proceeded on a legal strike commencing with the day shift on 27 September, 1989.

For and on behalf of the board
M.W. Hawarden
D.J. Crowe *Directors*

Directors: M.W. Hawarden (Chairman), R.A.D. Wilson (Deputy Chairman), V.G. Bray, W.D. Clough, D.J. Crowe, B.E. Hersov, D.M.S. G.J. Jonker, Clive S. Menell, P.F. Retief
Alternate directors: L.M. Brummer, P.W.J. Coenen, P.E. Gassner, P. McKenna

18 October 1989

This announcement appears as a matter of record only.

U.S. $183,000,925

Acquisition Facility to

RpScherer CORPORATION

Lead Managers

Canadian Imperial Bank of Commerce Group ● Citibank N.A.
London

Managers

Bank of Scotland ● Bayerische Vereinsbank Aktiengesellschaft
London Branch

Scandinavian Bank Group plc ● Société Générale
Chicago Branch

Security and Facility Agent

Citicorp Investment Bank Limited

October 3, 1989

CITICORP

October 1989

Arvin Industries, Inc.

has acquired a 75% interest in

A. P. Amortiguadores, S.A.

from

T I Group plc

The undersigned initiated this transaction, acted as financial advisor to Arvin Industries, Inc. and assisted in the negotiations.

Salomon Brothers International Limited

GROUPE SEB

CALOR. ROWENTA. SEB. TEFAL

CONSOLIDATED SALES SEPTEMBER 30, YEAR-TO-DATE

Including Rowenta (in millions of FRF)	1989	1989/1988
France	1 647	+14%
Abroad	2 828	+64%
TOTAL	4 475	+42%

With constant structure:
Consolidated sales rose 13% (same level in France and a 26% increase for sales abroad). For the twelve months ending September 30, the overall increase in sales was 13% (up 3% in France and 23% abroad).

The interim report for the Group SEB is now available.
To obtain a copy, please write to: Groupe SEB - Service Communication
BP 172 - 69132 ECULLY CEDEX - FRANCE
or phone: (33) 72 18 16 40
Please indicate French or English version.

Issue of up to £250,000,000 Floating Rate Notes 2000

ABBEY NATIONAL BUILDING SOCIETY

(Incorporated in England under the Building Societies Act 1874)

of which £150,000,000 is being issued as the Initial Tranche
Issue Price of the Initial Tranche: 100 per cent.

In accordance with the provisions of the Notes, notice is hereby given, that for the Interest Period from October 17, 1989 to January 17, 1990 the Notes will carry an Interest Rate of 15⅝% per annum. The interest payable on the relevant payment date, January 17, 1990 against Coupon No. 16 will be £392.81.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

October 18, 1989

CHASE

INTERNATIONAL CAPITAL MARKETS

Sammi Steel meets strong demand despite pessimism

By Andrew Freeman

EUROBOND markets remained subdued yesterday with limited new-issue activity and quiet secondary trading. Syndicate officials said they were not expecting conditions to improve during this week.

Merrill Lynch was the lead manager of a $50m five-year deal with equity warrants for Sammi Steel, the Korean manufacturer. The par-priced bonds were issued with a coupon indicated between 1¼ and 1¾ per cent.

Final pricing will be tomorrow based on the average price of the underlying stock over a seven-day period.

Demand was predictably strong, and the deal immediately traded at a huge premium. Traders said it was almost impossible to lift offers in the market, and they pointed to a wide bid-offer spread as evidence of a fundamental lack of liquidity. At one stage the spread was 10 points wide, before it settled down to 4 points. The full price in the afternoon session was 118 bid, 123 offered.

As with previous Korean deals, the warrants become exercisable after May 1991 to allow for the liberalisation of the Korean equity market. The indicated premium on the warrants is 75 to 85 per cent.

Nomura launched a successful $150m deal with equity warrants for Hanshin Electric Railway, riding the sharply improved sentiment on the Tokyo stock market. The coupon was indicated at 4 per cent and final terms will be set on October 24.

INTERNATIONAL BONDS

Nomura was quoting the bonds with warrants at 105⅛ bid, a fine premium to the par issue price.

Kredietbank launched a SKr250m 5¼-year unswapped issue for its own international finance subsidiary. The coupon of 11¼ per cent was aimed at retail demand, and sales are expected to be mainly into Kredietbank's own network.

Late in the day Svenska launched a Skr250m two-year deal for Sandvik. The bonds were trading on fees at less 1¼ bid.

J.P. Morgan was the lead manager of an A$150m seven-year deal for Redland International Funding, a subsidiary of Redland, the UK construction company. The bonds were largely pre-placed and are not expected to be actively traded.

The purpose of the issue was to refinance a £100m 25-year Eurosterling issue, the bulk of which was bought in by Redland two weeks ago. That buy-in resulted in some controversy when dealers complained there had been insider dealing ahead of the announcement of the offer to buy the bonds at a premium to their market level.

Mr Gerald Corbett, financial director of Redland, said: "The issue, which was specially tailored for us by J.P. Morgan, gives us seven-year fixed sterling funds at a semi-annual rate of 10.11 per cent, against the 11.4 per cent cost of the straight Eurosterling bond before we bought it back."

J.P. Morgan executed a series of currency swaps and interest rate hedges to achieve the funding.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Hanshin Elec.Rail.Co.♦	150	(4)	100	1993	1½/¾	Nomura Int
Sammi Steel Co Ltd♦	50	(1¼-1¾)	100	1994	1½/¾	Merrill Lynch
Sumitomo Metal Mining♦‡(a)	300	3⅝	100	1995		Daiwa Europe
AUSTRALIAN DOLLARS						
Redland Int.Fund.♦	150	15⅝	101¼	1996	1¾/1¼	J.P Morgan Securities
SWISS FRANCS						
Rohm Co.Ltd♦§★★(a)	300	¼	100	1995		UBS
Nomura Int. Ltd.★★‡	50	½	100	1994	1⅝	Bank Julius Baer & Co
SWEDISH KRONA						
Kredietbank Int. Fin.♦	250	11¼	101.80	1995	1¼/⅝	Kredietbank
Sandvik AB♦	250	11⅝	101¼	1991	¾/½	Svenska Int

♦Final terms. ‡With equity warrants. §Convertible. ★★Private placement. a)Issue update.

Busy trade welcomes Nagoya index option

By Andrew Freeman

A NEW OPTION contract on the Nagoya stock index of 25 leading Japanese companies saw active trading in its first session on the Nagoya regional stock exchange in Japan yesterday.

In a single two-hour session, more than 827,000 contracts were traded, consisting of 484,265 calls and 342,808 puts. Most of the business was between Japanese brokers, with foreigners accounting for about 10 per cent of activity.

The Nagoya exchange is the third largest in Japan after Tokyo and Osaka, and has launched the option product to compete with its rivals.

Unlike other Japanese index options, the Nagoya contract is based on a European-style option, with no early exercise allowed on the contract. Exercise is only at the expiry date of the specific contracts.

The underlying 25-share index closed at 1,302.18 points, a gain of 23.83 points from Monday's close.

● Banque Nationale de Paris (BNP), France's biggest commercial bank, has been given approval by the Indonesian Government to set up a new bank in Jakarta in association with Lippo Bank, a local banking institution, AP-DJ reports.

The new bank, to be called PT BNP Lippo Indonesia, will be 85 per cent controlled by BNP, the remaining 15 per cent being held by Lippo Bank.

It will be BNP's second venture in Indonesia with Lippo Bank. The two institutions set up a joint leasing company in 1984.

SBC to swap Mexico loans into bonds

SWISS Bank Corporation has decided to swap most of its Mexican loans into 30-year bonds with fixed 3¼ per cent coupons, Reuter reports from Zurich.

Mr Franz Gädel, senior vice president, said yesterday that SBC would also make fresh loans to Mexico. "The board has decided that, due to the fact we have a very large amount of our debt outstanding in Swiss francs and the interest was particularly low in Swiss francs, we would go for the interest reduction as a general way. We would also give to a lesser part some new money."

He declined to discuss the amounts of money involved.

Mr Gädel was speaking after representatives of about 15 Swiss and Austrian banks met Mexican financial officials in Zurich to discuss Mexico's debt reduction package.

Mr Angel Gurria, Mexico's chief debt negotiator, termed the talks lively and constructive, but said the other banks had not indicated what strategy they intended to follow to help reduce Mexico's medium- and long-term debt.

Creditor banks have the option of swapping their loans for 30-year bonds with a face value discounted by 35 per cent, provide new loans in addition to the debt outstanding, or exchange loans for dollar bonds with a 6¼ per cent coupon.

Mr Gurria, under-secretary of Mexico's Ministry of Finance, said the 3¼ per cent coupon SBC would receive on its bonds was the equivalent of the 6¼ per cent dollar bond coupon.

Swiss banks now hold about 2 per cent of Mexico's $70bn in foreign bank debt, he said.

SBC has never publicly disclosed its Mexican debt exposure, but Mr Gädel said it has about a third of the big Swiss banks' outstanding loans to Mexico. The big banks have 90 per cent of the Swiss exposure.

He said the Federal Banking Commission had not provided Swiss banks with guidance on how best to handle the debt reduction scheme.

HOMES OVERSEAS ADVERTISING

appears every Saturday in the Weekend FT.

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FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 17

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9¼ 95	600	104¼	104⅝	+0⅛	+1⅛	8.36
Austria 9⅞ 93	140	103¼	103⅜	+0⅛	+1	8.42
B.F.C.E. 8¾ 94	175	†99⅞	100	+0⅛	+1	8.43
B.F.C.E. 9⅛ 95	150	103⅛	103⅜	+0⅛	+1	8.48
Brit. Tel. Fin. 9¾ 98	250	104⅛	105⅛	+0⅛	+1⅛	8.58
Canada 9 96	1000	†103¼	104¼	+1⅛	+1⅛	8.13
Canadian Pac 10⅛ 93	100	†102⅞	102⅞	0	0	9.87
C.C.C.F. 9½ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.45
C.N.C.A. 9⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.58
Credit National 8⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.18
Credit National 7¾ 92	100	97⅞	98¼	+0⅜	+1	8.31
Credit National 9½ 92	160	†102⅝	103¼	+0⅞	+1⅛	8.42
Dai-Ichi Kan 9⅛ 92	150	102¼	103¼	+0⅝	+0⅞	8.42
Denmark 8¼ 94	150	98½	99⅛	+0¼	+0⅞	8.56
E.E.C. 7 91	100	97½	98	+0½	+0⅞	8.17
E.E.C. 10 93	140	†104⅝	105⅛	+0⅝	+1	8.29
Eurofima 10⅛ 93	100	†105	105½	+0½	+0⅛	8.31
Elec.De France 9 98	200	102½	103	+0½	+0⅛	8.51
Elec. De France 9½ 99	200	*†104⅝	104⅞	0	+0⅛	8.70
Finland 9 96	250	102⅜	102⅝	+0⅛	+0⅛	8.58
Finn.Exp.Cd. 8½ 92	200	†100⅛	100⅝	+0½	+0½	8.28
Finn. Exp. Cd. 9⅞ 95	200	103½	104	+0½	+0⅞	8.55
Ford Motor Credit 8 91	250	†99	99½	+0½	+0⅛	8.52
Gen.Elec.Cap.Corp. 9 93	500	†101⅛	102¼	+0⅛	+1⅛	8.43
Gen.Elec.Cap.Crp.10 1/2 91	300	102½	103	+0⅜	+0½	8.30
G.M.A.C. 9 96	300	†101⅛	101⅞	+0⅛	+1½	8.71
Gen.Mtrs.Corp. 9⅛ 92	200	101⅜	101⅞	+0½	+0⅛	8.41
IBM Credit Corp. 8⅞ 91	250	101¼	101⅝	+0½	+0⅛	8.18
IBM Credit Corp. 9 92	250	†101½	102	0	+0¼	8.24
IBM Credit Corp. 9½ 92	250	102¼	102⅝	+0½	+0⅞	8.24
IBM Credit Corp. 10 92	200	†104⅜	104⅜	+1	+1½	7.95
Italy 9½ 95	1000	†104⅜	104⅜	+0⅝	+1⅛	8.51
Italy 9⅞ 99	1000	†106½	107	+1⅛	+1⅛	8.53
Itoh C. W/W 4⅝ 94	1000	97⅞	98⅞	+1⅞	−2⅛	5.02
Japan Dev. Bank 10 96	200	†107⅝	108⅛	+1⅛	+1½	8.38
KFW Intl. Fin. 9 94	300	†101⅞	102⅜	+0⅛	+1	8.45
L.T.C.B.of Japan 9⅛ 92	200	†101⅛	101⅞	+0¼	+0⅛	8.66
Metropolis Tokyo 9½ 93	200	†102⅝	103⅛	+0¼	+0¼	8.42
Nippon Tel.&Tel. 9⅞ 98	250	104½	105⅛	+0½	+0⅞	8.60
Norway 8⅛ 93	500	101⅛	101⅞	+0⅝	+0¼	8.15
Portugal 8¼ 91	300	†98½	99	+0⅛	+0⅛	9.15
Sumitomo Bank 9⅞ 92	150	†103⅛	103⅝	+0⅞	+1⅛	8.28
Sumitomo Corp. W/W 4 93	1500	106¼	107¼	−2¼	−2¼	2.08
Sweden 8⅞ 96	200	†101⅜	101⅞	+0⅝	+1	8.39
Sweden 8½ 92	200	†99⅞	100⅛	+1⅛	+1⅞	8.48
Toyota 9½ 91	200	102⅛	102⅛	+0⅝	+0⅛	8.17
Toyota Mtr.Corp. W/W 4 93	1500	†101½	102½	−0½	−3	3.40
Victorian Rep 11⅛ 92	150	106¼	106⅜	+0⅝	+1⅛	8.61
World Bank 8⅞ 99	1500	†101¼	101⅞	+1	+1⅛	8.37
World Bank 9 97	300	102¼	103¼	+0⅞	+1⅞	8.45
World Bank 9 93	300	102½	102⅞	+0⅛	+1⅛	8.13
World Bank 9¼ 98	300	†104¼	104⅝	+0⅞	+1⅛	8.51
World Bank 9⅝ 99	500	106⅜	107¼	+0¼	+1	8.49
World Bank 9⅞ 98	300	*†105¼	105¼	0	0	8.65

Average price change... On day +0⅝ on week +0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	†93½	94	−0¼	−1⅛	7.49
Austria 6¾ 99	750	†96⅝	96¾	+0½	−0½	7.23
Bk.Frgn.Econ.USSR 7 96	750	*†94⅛	94⅜	0	−0⅛	8.06
Bank of Tokyo 5¾ 93	100	†94⅜	95⅛	+0⅛	+0⅛	7.38
Commerzbank o/s. 5⅜ 93	300	†93½	94	0	−0⅜	7.62
Credit Foncier 6¾ 99	500	†96¼	96⅞	+0⅛	−0⅜	8.25
E.I.B. 6¼ 99	600	†93¾	94¼	+1	+0¼	7.15
E.I.B. 6½ 99	300	†95⅜	95⅞	+0⅞	0	7.15
E.I.B. 6⅝ 96	600	†97	97½	+0⅞	−0¼	7.16
E.I.B. 6⅞ 95	300	†98¼	98¾	+0⅝	0	7.18
Euro.Coal& Steel 5⅞ 97	175	†91¾	92¼	−0⅛	−0¼	7.31
Eurofima 6¼ 96	100	†93½	94	0	0	7.46
Elec De France 5¾ 97	300	†90¾	91¼	+0⅛	−0¼	7.32
Hydro-Quebec 6¾ 99	300	†96⅝	97⅛	+0⅝	−0⅛	7.21
Japan Dev. Bk. 5⅜ 95	300	*†90⅝	90⅝	0	0	7.50
Japan Finance 5⅝ 97	100	†90¼	90¾	+0⅜	−0⅞	7.47
I.A.D.B. 7¼ 99	300	†100	100¼	+0⅞	0	7.22
Ireland 6½ 97	300	†94	94½	+0¼	+0¼	7.52
Ireland 7¼ 99	500	†98⅞	99⅜	+0½	+0¼	7.37
Malaysia 6¼ 94	150	†95¾	96¼	0	0	7.27
Nat. West BK. PLC 6 98	300	*†90⅝	90⅝	0	−0⅜	7.52
N.H.L. Finance 6¼ 95	200	†91¾	92¼	0	−0¼	7.96
Nippon Telg.&Tel. 6 95	400	*†94¼	94¼	0	−0¼	6.48
Oesters. Kontbk. 5 93	300	†93¼	93¾	+0⅝	+0⅜	7.28
Portugal 5¾ 92	150	†96	96½	+0⅛	+0½	7.27
Portugal 6⅝ 95	150	†96¾	97¼	−0¼	−0¼	7.27
Privatbanken 5¼ 93	150	†92¾	93¼	+0⅛	−0¼	7.67
Royal Insurance 5½ 92	300	†94¾	95¼	0	−1	7.77
Turkey 6½ 95	500	*†92⅞	92⅞	0	−0½	8.13
Union Bk. Finland 5½ 94	200	†92¼	92¾	0	−1¼	7.62
World Bank 6 98	500	†92½	92¾	+1	+0⅝	7.14
World BK. 6¼ 97	600	†94¼	94½	+0⅞	+0¼	7.71
World Bank 6¾ 99	600	†97¼	97½	+1	+0¼	7.13

Average price change... On day +0⅜ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	*†90½	90½	0	−0½	6.79
Asfinag 5 03	100	*†89½	89½	0	+1	6.15
B.F.C.E. 4½ 98	200	*†89	89	0	−0½	6.16
B.M.W.Fin.Neth. 5 13	150	*†86⅛	86⅛	0	0	6.13
Britannia B/S. 4¼ 94	100	*†89¾	89¾	0	0	6.89
CIR. Int. W/W 3 93	125	*†88⅛	88⅛	0	−1	6.67
Credit Lyonnais 4¾ 00	100	*†88⅞	88⅞	0	+2⅛	6.21
E.I.B 4⅝ 98	150	*†89	89	0	+0½	6.30
Finn. Exp. Cd. 8¼ 92	75	*†100⅝	100⅝	0	0	8.00
Fletcher Chall. 4⅞ 98	150	*†82¼	82¼	0	+0½	7.83
I.A.D.B. 6 2004	200	*†97⅞	97⅞	0	−0¼	6.22
Kobe City 4⅝ 98	150	*†89	89	0	−0¼	6.30
Leeds Perm. B/S. 4⅛ 93	200	*†89¼	89¼	0	−0¼	7.56
Malaysia 5⅛ 98	100	*†81¼	81¼	0	−1¼	8.26
Maxwell Comm.Crp. 5 95	150	*†81½	81½	0	−2¼	9.34
Nat. Bk. Hungary 5½ 94	75	*†89½	89½	0	−1	8.05
Nationwide Ang.B/S. 4 93	200	*†90¼	90¼	0	−0¼	7.15
Prov. Newfoundland 5 03	150	*†84½	84½	0	−2	6.73
Thailand 4⅝ 95	200	*†83¾	83¾	0	+0¼	8.29
World Bank 5 03	150	*†87	87	0	−0¼	6.45

Average price change... On day 0 on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	100½	100⅞	+0⅛	0	5.60
Canada 5⅝ 93	80	100⅛	100⅜	+0⅛	0	5.54
Eurofima 5 1995	20	96⅞	97⅜	+0⅜	−0⅛	5.61
E.I.B. 4⅞ 93	30	97⅝	97⅞	+0⅜	−0	5.61
Ireland 5⅛ 93	30	98	98½	+0⅛	−0¼	5.67
Norway 5⅛ 95	50	97⅞	98⅛	+0⅛	−0¼	5.55
Sweden 4⅞ 93	50	96⅞	97	+0⅜	−0⅛	5.60
World Bank 5⅛ 98	10	96⅞	97⅜	−0⅛	−0¼	5.58
World Bank 7 94	20	105¼	105⅞	+0⅜	+0⅛	5.58

Average price change... On day +0⅛ on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10¼ 94 C$	150	97½	98	+0¼	−0⅛	10.85
Abbey Nat. 11⅝ 95 £	100	96⅞	97⅛	+0⅞	+0⅝	12.46
Aegon 7¾ 92 FL	100	99⅝	100⅛	0	0	7.91
Alg. Bk. Ned. 5⅞ 93 FL	200	93⅛	93⅝	0	−0¼	7.98
Austria 7½ 94 ECU	100	95¼	95¾	+0⅝	−0⅜	8.74
Bk.Nova Scot.14⅞ 90 A$	75	†97⅞	98⅛	+2⅛	+0¼	16.13
Barclays Aus.13½ 91 A$	100	95⅜	95⅞	+0¼	+0¼	16.32
Belgium 8⅛ 94 Ecu	150	97⅜	97⅞	+0⅛	+0⅛	8.78
BP Capital 9⅝ 93 £	100	91⅞	92⅜	+0⅜	+0¼	12.62
British Airways 10 98 £	100	89¼	89⅝	+0⅜	+0¼	12.06
Brit. Telecom 9½ 93 £	150	91¾	92¼	+0⅝	+0⅝	12.48
Comm.Bk.Aust. 12⅞ 93A$	100	†92	92½	+0⅛	−0¼	15.51
Comm.Bk.Aus.13¾ 94 NZ$	60	104⅛	104⅝	+0¼	+0¼	12.43
Credit Foncier 9 96 Ecu	100	100¼	100¾	+0⅛	0	8.88
CrLocalFrance 9¼ 92Ecu	100	100⅞	101⅜	+0¼	+0¼	8.72
Deut. Bk.Aus. 13⅞ 93 A$	125	95	95⅝	+0¼	−0¼	15.01
Deutsche Bk.Fin. 15 94 A$	100	100½	101⅛	+0¼	+0⅛	14.68
E.I.B. 7 96 LFr	100	*†97	97	0	0	7.61
E.I.B. 7½ 99 FL	150	96⅛	96⅝	0	−0⅛	7.66
E.I.B. 9 99 Ecu	150	100¼	100⅝	−0⅛	−0⅛	8.90
Eurofima 7⅞ 94 Ecu	100	95¼	95⅜	−0⅛	−0½	8.91
Export Dv.Crp.8⅞ 92Ecu	100	99½	100	+0¼	+0⅛	8.82
Fed.Bus.Dv.Bk. 9 94 Ecu	100	99⅝	100¼	0	0	8.98
Fed.Bus.Dv.Bk. 9¼ 92 C$	75	†98⅜	98⅞	+0⅜	+0⅛	10.32
Fed.Bus.Dv.Bk.10½ 93C$	50	†99⅞	100⅜	+0⅜	+0⅝	10.42
Ferrv. Stato 7¾ 93 Ecu	100	95⅞	96⅛	+0⅛	+0¼	9.02
Ford Cr.Can.10¼ 93 C$	100	†100¼	100⅝	+0¼	+0⅜	10.52
Ford Cred.Can.10⅞ 96C$	125	101⅜	101⅞	+0⅝	+0⅝	10.48
Ford Cred.Fund.10¼ 95£	60	94⅛	94⅞	+0¼	+0⅛	12.50
G.M.A.C.Canada 11 3/4 94C$	100	103⅛	103⅝	+0½	0	10.72
Heineken 7⅛ 94 FL	150	100⅝	101	+0⅛	−0⅜	7.72
Hydro-Quebec 11 99 C$	400	103⅛	103⅝	+0½	+0⅜	10.44
Lloyds Bank 10¼ 98 £	150	90⅛	90⅝	+0½	0	12.11
Lloyds Bank 11⅜ 98 £	100	94½	95	+0⅜	+0½	12.35
Montreal Tst.10¼ 93 C$	100	†99⅝	100⅛	+0¼	+0⅝	10.76
Nat. Aus. Bk. 14⅜ 94A$	100	97⅞	98⅜	+0¼	0	15.29
New Zealand 9½ 93 £	100	90⅞	91⅜	+0½	+0⅛	12.72
O.E.K.B. 10¼ 99 C$	150	†99⅜	99⅞	+0⅝	+0⅜	10.30
Privatbanken 7½ 94 LFr	500	*†97½	97½	0	−0½	8.18
Royal Bk.Scot.10⅝ 98 £	125	†92½	93	+0⅝	+0⅜	12.06
Saskatchewan 9⅞ 91 C$	150	†98⅞	99⅜	+0⅜	+0⅛	10.47
Saskatchewan 10¼ 93 C$	200	99⅛	99⅝	+0⅜	+0⅜	10.43
State Bk.NSW. 13⅞ 93A$	100	94¾	95¼	+0⅛	0	15.56
Sweden 7½ 93 Ecu	250	95⅝	96⅛	+0½	+0¼	8.74
Sweden 15 94 A$	100	100⅞	101⅜	+0¼	−0⅛	14.56
Toyota Mtr.Cr.11⅛ 92C$	150	101½	102⅛	+0⅜	0	10.51
World Bank 7⅛ 99 FL	300	96⅛	96⅝	0	−0⅛	7.66
World Bank 13⅜ 92 A$	100	97¼	97¾	+0¼	+0⅛	14.46
World Bank 14¼ 94 A$	75	98⅝	99⅛	0	−0¼	14.55
Zentrspk. 13¼ 93 A$	75	†94⅞	95¼	−0⅛	0	15.00

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.97	100.02	24/10	14.08
Bank of Greece 99 US$	†0⅛	99.68	99.78	8/03	9¼
Belgium 91 US$	0	100.23	100.33	21/02	8.81
Chelt.& Gloucester 94 £	.063	99.78	99.83	30/11	14.06
Credit Foncier 98 US$	.063	99.95	100.05	20/10	10.16
Dresdner Finance 99 DM	†.031	99.83	99.93	30/10	6.97
EEC 3 92 DM	†0	100.00	100.10	22/02	6⅞
Halifax BS 94 £	.1	100.10	100.15	9/11	13.97
Invt. in Industry 94 £	0⅛	99.93	100.03	24/11	14.06
Leeds Perm. B/S. 94 £	0⅛	100.19	100.24	13/10	14.06
Milk Mkt.Brd. 5 93 £	0⅛	99.91	99.96	29/12	14.94
New Zealand 5 97 £	.07	99.94	100.04	18/11	13.19
Northern Rock 92 £	0½	99.86	99.91	20/01	5⅛
State Bk. Nsw. 98 US$	.188	100.28	100.39	11/02	8.81
Woolwich Equit.BS. 93 £	0⅛	100.21	100.26	13/10	14.06
Woolwich 5 95 £	0⅛	99.93	99.98	21/11	14.06

Average price change... On day +0.01 on week 0.00

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US$	†8/87	62.	119	120	−7⅞	2.72
Amer. Brands 7¾ 02 US$	†9/87	56.7	121	122	−7⅝	−0.88
CBS. Inc. 5 02 US$	†4/87	200.	96	97	−9¼	−2.96
Dai-Ichi Kan. 3⅞ 04 US$	7/89	3486.	98⅛	99⅛	−0⅛	3.55
Primerica 5½ 02 US$	†4/87	66.75	71	72	−3	82.65
Eng.China Clay 6½ 03 £	9/88	4.8	87⅛	88⅛	−4⅝	1.64
Fujitsu 3 99 US$	5/84	1106.	215⅜	216⅛	−5	−4.86
Ladbroke Grp. 5¾ 04 £	†6/89	7.1	97	98	−4½	124.76
Land Secs. 6¾ 02 £	6/87	6.72	84⅛	85⅛	−5⅛	9.78
Minolta Camera 2¼ 94 DM	†2/86	1004.	107	107⅛	−3⅛	5.01
MCA INC 5¾ 02 US$	†9/87	69.62	98	99	−8⅞	10.61
Mitsubishi Bk. 3½ 04 US$	5/89	3266.	91½	92½	0	1.51
Next Plc 5¾ 03 £	†11/87	4.3	97	98	−8⅛	311.03
Nishi Nipp.Bk. 2⅞ 03 US$	4/88	884.	125⅞	126⅞	−0⅜	0.60
Omnicom Inc. 6 1/2% 04 US$	†10/89	28.	104	105	−0⅜	15.29
Omron Tateisi 2⅞ 02 US$	4/87	1318.	306	306⅛	−9	−5.98
Ranks Hovis 4⅞ 03 £	†1/88	3.5	116	117	−8⅛	−7.75
Redland 7¼ 02 £	†1/87	5.4	92½	93½	−4⅜	2.07
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	91	92	−2½	18.48
Silicon Graphics 8 04 US$	6/89	23.18	109½	110½	−2½	13.32
Sumitomo Bank 3¼ 04 US$	2/89	4296.	81⅛	82⅛	0	14.06
Texas Inst. 2¾ 02 US$	†9/87	82.87	75⅛	76½	−1	81.88
Utd.Newspapers 8 04 £	10/89	8.77	99⅞	100⅞	+0¼	97.02
W.R. Grace 6¼ 02 US$	9/87	42.12	93½	94½	−5⅞	19.52

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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INTERNATIONAL CAPITAL MARKETS

Treasuries reverse earlier gains as equities recover

By Janet Bush in New York and Rachel Johnson in London

US TREASURY bonds continued to move in an inverse relationship with the stock market yesterday, trading higher in the morning as equities plunged and reversing those gains as the Dow Jones Industrial Average cut its losses by two thirds.

By late trading the Treasury's benchmark long bond was down ½ point, taking its yield above 8 per cent again to 8.02 per cent.

Treasuries had held higher for most of the session as fresh inflows resulted from the sagging stock market. By the end of the day, however, and in spite of the Dow's recovery to close about 20 points lower, the bond market had started to focus again on news of a sharp widening in the US trade deficit in August.

This was $10.77bn against estimates of a $9bn shortfall.

The 8.02 per cent yield on the long bond was exactly the same as the close last Thursday, on the eve of the 190 point fall in the stock market. This is very different to the situation following the October 1987 crash when yields dropped dramatically as the US Federal Reserve pumped liquidity into the banking system.

This time the Fed's reaction has been swift in terms of verbal reassurance but limited in actual action.

The central bank added modest amounts of liquidity on both Monday and yesterday and the Fed funds rate has shifted only ¼ point downwards since the close last Thursday at 8⅞ per cent.

The afternoon downturn in the bond market may have resulted from a measure of disappointment that the Fed's easing had not been as extensive as many in the market had hoped for.

The slide came in spite of a stable performance by the dollar, which was quoted towards the top of the day's ranges against the Japanese yen and the D-Mark at Y142.75 and DM1.8670.

GOVERNMENT BONDS

■ THE EUROPEAN and Japanese government bond markets had another dizzy day following the movements of the equity markets.

In the UK, gilts opened almost ½ point lower after Monday's strong gains, as the Dow Jones index in New York confirmed the rally in share prices overnight. When it became clear that the rally was not as strong as expected – and after the 31 per cent rise in the US trade figures for August – gilts firmed ⅛.

Traders said, however, that the market remained "strong." It continued to react instantaneously to the news on equity markets rather than fundamentals.

"Bond dealers are bypassing Footsie and even the Dow Jones cash index and focusing on the Dow futures," a trader said.

The benchmark Treasury 11¾ due 1003/07 closed 20 basis points higher while the 9 per cent 2008 stock climbed by 18 ticks.

■ IN GERMANY, government bonds lost much of Monday's strong gains, especially at the longer end. Bunds were fixed about a D-Mark down, and yields on 10-year issues again reached 7 per cent, returning to Friday's levels. The Federal September 1999 bond was fixed at 99.80 to yield 7.03 after it rose DM1.45 to DM100.85 on Monday.

Shorter-dated stocks were still looking attractive to investors, however, and there was a fair amount of demand for six-, seven- and eight-year maturities.

These stocks were fixed only about 25 to 50 pfennigs down, rather than a whole D-Mark at the longer end. Traders attributed the buying interest to a late "flight to quality" and the greater yields available at the shorter end. "Any weakness in equity makes bonds look like a worthwhile investment," said a dealer.

■ JAPANESE GOVERNMENT bonds opened lower and tracked the equity and currency markets equally closely. "Unless the yen strengthens against the dollar, the short-term outlook for yen bonds and futures is poor," a trader said.

Bond prices remained fairly high in spite of the fluctuations in the equity markets, as the chance that central banks would inject cash into the system lived on. The benchmark No 111 closed at 5.270, after Monday's finish at 5.245.

● Mr Minoru Nagaoka, Tokyo Stock Exchange (TSE) chairman, said he hoped a TSE committee would decide by the end of the year on the next opening of the exchange for new members, Reuter reports from Tokyo.

The committee would seek a balance between Japanese and foreign financial institutions in deciding on new members as foreign firms had dominated the memberships granted in recent openings, he added.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	104-30	-4/32	11.46	11.86	11.14
	9.750	1/98	95-19	+2/32	10.58	10.75	10.37
	9.000	10/08	95-00	+8/32	9.58	9.73	9.44
US TREASURY*	8.000	8/99	99-30	-7/32	8.01	8.01	8.12
	8.125	8/19	101-04	-16/32	8.02	8.00	8.12
JAPAN No 111	4.800	6/96	96.1252	+0.029	5.25	5.34	5.35
No 2	5.700	3/07	104.7631	+0.287	5.18	5.14	5.18
GERMANY	6.750	8/99	98.3000	+0.050	6.99	6.86	6.86
FRANCE BTAN	8.000	7/94	95.3949	-0.160	9.22	9.14	8.91
OAT	8.125	5/99	95.8700	+0.095	8.78	8.74	8.59
CANADA*	9.500	10/98	98.5000	-0.4000	9.48	9.50	9.54
NETHERLANDS	7.250	7/99	98.4000	-0.410	7.48	7.40	7.28
AUSTRALIA	12.000	7/99	91.3241	-0.074	13.63	13.64	13.15

London closing, *denotes New York closing
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

Transfer of Fossett accounts nears end

By Katharine Campbell in Chicago

THE TRANSFER of accounts from Fossett, a Chicago options trading firm in difficulties after Friday's market drop, is virtually complete, a spokesman for First Options of Chicago said yesterday.

First Options, a subsidiary of Continental Bank and the largest options clearing firm, is taking over from Fossett about 200 accounts of professional options traders operating on a number of US options exchanges.

Options traders faced heavy losses on Friday largely because of the speed of the 190 point drop in the market. This was in marked contrast to the October 1987 crash, when the losses were concentrated among retail customers and many options traders were well positioned.

At the close of business last Friday, Fossett faced losses in its proprietary junk bond and stock positions as well as in options to the extent it feared it could not weather a further steep drop in the market on Monday.

This prompted an unusual rescue package formed over the weekend, under which a $50m guarantee was provided to First Options, indemnifying the firm for 10 days over the period of the transfer against client losses that could occur given a stock market move of up to 20 per cent in either direction.

The package was understood to have been required by the Comptroller of the Currency, which has regulatory oversight of Continental Bank.

In October 1987 First Options itself lost about $90m after the failure of a few large clients caught on the wrong side of the options market, and Continental ran into regulatory problems when it tried to transfer capital to cover the losses of its subsidiary.

The guarantee consists of $18m of personal funds advanced by Mr Stephen Fossett, the firm's owner, $20m from the Options Clearing Corporation, and $8m and $4m respectively from the Chicago Board Options Exchange and the American Stock Exchange.

India's jumbo issues set the pace

R.C. Murthy on how markets are being tapped to fund projects

"Share the L and T vision – world class," reads a hoarding on the fashionable Marine Drive in Bombay. Larsen and Toubro, a high-technology engineering company and now part of the Reliance conglomerate, is offering Rs9.43bn ($565m) in convertible debentures to the group's shareholders and the public.

The L and T issue was the second and largest of a dozen offers to hit the capital markets in six weeks from late September. They were aimed at raising a total of Rs40bn, including the 15 per cent which may be retained, with permission from the Controller of Capital Issues, if an issue is oversubscribed. The first, a Rs4bn convertible debenture, was offered by Essar Gujarat, a medium-sized engineering, energy, steel and shipping group, that has now catapulted itself into the top league of Indian businesses.

The Rs1.4bn public offer component of the Essar Gujarat issue was three times oversubscribed, as was the Rs1.69bn public component of the Rs9.43bn L and T issue, a response that surprised merchant bankers.

Apparently, investors are ready to take risks with projects aimed at global competition without the aid of national subsidies.

The remaining Rs2.6bn of the Essar Gujarat issue is to be offered as a rights issue to shareholders. The issue is to part-finance a Rs14bn state-of-the-art steel plant at Hazira, on the west coast, the first such project in India targeted fully at the export market.

Other jumbo issues are by lesser-known but ambitious business groups that have decided to tap the market to finance their projects, instead of relying on state-owned financial institutions.

Investor confidence in the high-profile Larsen and Toubro was put to the test in the courts earlier this month. L and T plans to use a natural gas cracker it is to build for Reliance Industries as a model for winning overseas contracts for petrochemical engineering contracts.

But the easy credit offered by L and T to Reliance attracted flak. The Supreme Court was asked to stop the issue, after allegations that it was an in-house arrangement to siphon off L and T funds.

Mr Abhay Oswal, of Bindal Agro, and Mr Vinay Rai, of Usha Rectifier Corporation, two Delhi-based entrepreneurs, have taken a cue from Mr Dhirubhai Ambani of the Reliance Group, which launched a Rs6bn convertible for Reliance Petrochemicals last year.

In a drive to lift industrial growth from the present 8 per cent, the administration of Mr Rajiv Gandhi, India's Prime Minister, has liberalised procedures for setting up new industries, as long as they do not depend on state-run financial institutions for funds.

Capital issues this year are expected to reach a record Rs50bn, up by two thirds from Rs30bn last year and only Rs10.2bn four years ago. India has only about 10m investors, out of a population of 800m, and companies are under pressure to tap the virgin market by aggressive selling in small towns. Now that state-owned television has started accepting capital issue advertising, the message can be spread to some three quarters of the population.

The rash of debenture issues has led to many innovations. L and T hit on the idea of asking for just a quarter of the issue price from investors initially and the remainder in three instalments spread over a year.

This pattern has become a standard for all the jumbo issues. Ceat Tyres and Essar Gujarat have sweetened their offers by warrants and "loyalty" coupons. The Essar warrant, for instance, can buy an additional Rs10 share per debenture in the next four years, at a price not exceeding Rs70.

The "loyalty" coupons are to reward, with a cash payment of Rs10 per debenture, investors holding on to their investment for three years. Usha Rectifier and Essar Gujarat have instituted 10 annual scholarships for local and overseas study to investors' children. Bindal Agro, L and T and Essar have tied up with banks to provide loans to investors in need.

Investors prefer fully convertible debentures from companies paying handsome dividends and whose shares command a premium. Good equity issues are normally several times oversubscribed, and small investors are rarely given a firm allotment of shares.

The mood of the capital market is upbeat, although most convertible debenture offers are overpriced, according to market analysts.

The stock market has been flat recently, in the run-up to the general election in late November. But share values are at a fairly high level.

The Bombay Stock Exchange 30-share index yesterday stood at 699, up by nearly 13 per cent from 620 in January. Mr R. Sankaran, a leading merchant banker and until recently executive director at Standard and Chartered Bank, says all the jumbo issues, scheduled for launch before the elections, will be fully subscribed.

The Rs7.14bn debenture issue of Usha Rectifier, to finance a steel project at Amethi, the parliamentary constituency of Mr Gandhi, and that of Bindal Agro for a chemical fertiliser plant at Jagdishpur, adjacent to Amethi, have already opened for subscription. Merchant bankers have warned companies to launch their capital issues in the next couple of months, before election uncertainties overtake the markets.

Analysts say it is difficult to forecast the political scenario after the elections, with annual double digit inflation, charges of corruption against Mr Gandhi and opposition parties' inability to evolve a common programme to ensure public confidence.

MAJOR CAPITAL FLOTATIONS (September to November 1989)

Company	Group	Amount (Rsbn)
Larsen and Toubro	Reliance	8.20
Usha Rectifier	Vinayrai	7.14
Bindal Agro	Abhay Oswal	5.00
Essar Gujarat	Essar	4.06
S.M. Dychem	S.M. Dychem	2.50
Ceat Tyres	R.P.Goenka	1.80
Hindustan Aluminium	Aditya Birla	1.40
Grasim Industries	Aditya Birla	1.26
Apollo Tyres	Raunaq Singh	1.04
Mahindra and Mahindra	Mahindra	0.92
Raymond Woollen Mills	J.K. Group	0.71
J.K. Synthetics	J.K. Group	0.70
Total		34.73
Add 15% of oversubscriptions which may be retained with the permission of the Controller of Capital Issues		5.19
TOTAL		39.92

Bond Corp payment completes BSB equity funding

BRITISH SATELLITE Broadcasting yesterday completed its equity funding of £423.55m when Bond Corporation of Australia, its largest investor, paid up the final £27.6m tranche of its commitment, writes Raymond Snoddy. Mr Alan Bond, chairman of Bond Corp, stood to lose a substantial proportion of his initial £126.7m ($197m) in BSB, which plans to launch five channels of satellite television in the spring.

Mr Bond had only a few weeks left in which to make his final payment before his investment stake of about 35 per cent in the venture was severely diluted by penal clauses.

The final payment came to BSB, whose investors include Pearson, publisher of the Financial Times, as Mr Bond pulled out of the gold business and sold Bond International Gold in a deal worth $373.8m.

BSB is believed to have enough money to last until the launch of its television service.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tuesday October 17 1989

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	7	92	4
Corporations, Dominion and Foreign Bonds	4	23	15
Industrials	1,052	218	327
Financial and Properties	357	135	182
Oils	49	16	29
Plantations	3	1	7
Mines	93	15	65
Others	147	30	86
Totals	1,712	530	715

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
120	F.P.	3/11	135	117	Birse Group 10p	124	+3	L4.25	2.3	4.6	9.6
§100	F.P.	–	126	100	♦Boxmore Intl 10p	120	+17	u5.2	1.9	5.8	11.6
§74	F.P.	–	82	63	♦Brandon Hire 10p	71	+7	u3.33	1.6	6.3	10.6
Ir56	F.P.	2/11	71	56	♦Cambridge Group Ir5p	65	+7	dQ7½%	14.8	0.5	16.7
§110	F.P.	–	119	98	♦Cooper Clarke Group 10p	100		u4.5	1.9	6.0	8.1
††	F.P.	21/11	81	66	*DSC Hldgs.	68xr		–	–	–	–
85	F.P.	–	96	63	♦Diamond Group Hldgs 5p	65	+2	L1.13	4.7	2.3	12.3
□	F.P.	3/11	540	465	Drayton Asia Tst Units	500	+7	–	–	–	–
†	F.P.	–	865	700	♦Elan Corpn. Ir4p	700		–	–	–	66.1
50	F.P.	8/11	53	40	♦Essex Furniture 5p	44	+1	u1.88	2.3	5.7	9.9
Ir96	F.P.	20/10	95	83	♦FBD Hldgs. Ir50p	90	+7	uQ3.2%	5.2	1.5	12.9
100	F.P.	–	102	93	Greyfriars Inv	96	+3	–	–	–	–

FIXED INTEREST STOCKS

RIGHTS OFFERS

FIXED INTEREST

LONDON TRADED OPTIONS

THE LONDON Traded Options Market quietened yesterday after the excitement of Monday as dealing turned cautious. The sharp swings by the stock market made the FT-SE index option the busiest contract, while individual options were generally less active.

Institutions again tended to remain on the sidelines, waiting to see where the stock market's roller coaster ride would end and hoping to pick up shares at a lower level. Instead, business was done in small lots and the option market appeared to be used mainly by private clients who were cutting their losses or opening fresh positions.

Once again, attention focused on the FT-SE index and its futures counterpart on the London International Financial Futures Exchange. Before the stock market opened, brokers said the FT-SE index was indicated to be up by 50 points.

However, doubts quickly set in and the FT-SE opened just 12.5 points up. None the less, the stronger opening by the stock market prompted some buying of FT-SE puts and selling of FT-SE futures on Liffe.

The stock market then proceeded to swing violently throughout the day, ranging from up 18.6 to down 42.6, before coming to rest down 27.9 on the day, having traded 643m shares.

Worries about further stock market falls meant business was concentrated in the FT-SE puts. These fears were confirmed soon after the market closed, as equities slipped back with Wall Street.

The FT-SE contract turned over 22,676 lots, of which 16,839 were puts and 5,857 calls. The busiest series was the October 2,150 put, which traded 3,055 lots. Total turnover on the LTOM amounted to 57,315 lots, down from 100,048 on Monday, but still above the turnover of recent days.

Hanson was the most active individual option, trading 2,379 contracts. This was divided between 1,481 calls and 898 puts. The busiest series was the November 220 call, which traded 681 lots.

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied Lyons (*478)	460	20	46	62	6	20	27
	500	4	26	45	30	42	45
Storehouse (*117)	110	11	16	21	3	5½	9
	120	6	9	14	8	12	14

TRADITIONAL OPTIONS

● First Dealings Oct 9
● Last Dealings Oct 20
● Last Declarations Jan 11
● For settlement Jan 22

For rate indications see end of London Share Service

Calls in Haemocell, Atlantic Res, Astra, Tusker, Amstrad, Br & Comm, Vista, Hyman, AIDM Grp, Poddington, Delta, Hanson Wrnts, Br Aerospace, Regentcrest, Ewart, Cityvision, Bentox, Premier, Myson.

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917,024

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Tel: (021) 632 4222 Fax: (021) 643 9034

South
Central & South London, the South-East
28 Buckingham Avenue, Slough SL1 4NB
Tel: (0753) 22891 Fax: (0753) 34853

UK COMPANY NEWS

US printing group to be sold and 45% of Berlitz to be floated

Maxwell moves to reduce debt

By Raymond Snoddy

Robert Maxwell: keeping a controlling interest in Berlitz

MR ROBERT MAXWELL, the publisher, plans to reduce further the debt taken on through the acquisition of Macmillan, the US publisher, by floating 45 per cent of Berlitz International, its language instruction subsidiary and the sale of Maxwell Graphics.

Mr Maxwell, chairman of Maxwell Communication Corporation, said that Berlitz, which has 260 language centres in 25 countries, had filed initial registration documents with the Securities and Exchange Commission in New York for a proposed offering of 8.4m shares.

The partial flotation is expected to value Berlitz at between $400m and $500m with the net proceeds of between $200m-$250m (£126m-£158m).

Mr Maxwell intends to continue holding a controlling interest in the language business acquired as part of last year's $2.6bn Macmillan deal.

Berlitz made profits last year of $26.4m before interest on revenues of $186.3m. Compound profit growth since 1984 has been about 28 per cent.

The disposal of Maxwell Graphics, the US printing group, is believed to be imminent and should bring in about $500m.

The Berlitz flotation plans mean that Mr Maxwell, who decided last year to concentrate almost wholly on publishing, could have five quoted vehicles in London and New York.

In addition to Berlitz and the listed MCC and Pergamon AGB, there are plans to seek a quotes for Mirror Group Newspapers and a school publishing joint venture in the US between Macmillan and McGraw-Hill.

It is also likely that Maxwell Communication will go down the partial privatisation route with Official Airline Guides, the company bought from Dun & Bradstreet for $425m last October.

On Berlitz the plan is to offer 5m shares in the US and the remaining 3.4m elsewhere. Goldman Sachs will manage the entire offer.

Berlitz International, with headquarters in Princeton, New Jersey, publishes pocket travel guides and phrase books as well as offering commercial translation services and language tuition.

Last week Mr Maxwell completed a $3.5bn restructuring of his debt at what he described as "very fine rates".

First Technology purchases Palcon Systems for up to £6m

By Nikki Tait

FIRST TECHNOLOGY, the security and safety systems company, yesterday announced the purchase of Palcon Systems – which specialises in the design, manufacture, installation and maintainance of control and warning systems – for up to £6m.

Palcon, founded in 1979, is based in High Wycombe, Buckinghamshire. Its systems, principally involving air-conditioning and energy management rather than security, are used in industrial and commercial buildings.

First Technology said this will dovetail well with its existing security expertise.

In the year to end-March, Palcon's pre-tax profits were £648,000. Book value of net assets amounted to £150,000.

Under the terms of the deal, First Technology is paying an initial £2.77m for Palcon, comprising £925,000 in First Technology shares and the remainder in five-year loan notes.

If certain profit targets are bettered in the 25-month period to end-April 1991, an additional deferred payment will be made. However, the total payment cannot exceed £6m, and First Technology said that the terms of the deal give a final exit p/e after tax of under seven.

Any further consideration will be paid one third in new shares and two thirds in three-year loan notes.

The vendors will hold any new shares for at least one year.

Associates help Derwent Valley improve to £2.4m

DERWENT VALLEY Holdings, the property investment, development and trading group, lifted taxable profits 42 per cent to £2.4m in the first half of 1989.

The advance from the £1.69m recorded in the corresponding period of the previous year followed a 48 per cent expansion to £2.07m in gross rental income. Related companies contributed £880,000 to profits, against a deficit of £20,000 last time.

To further reduce disparity, the interim dividend is raised 1p to 2.5p, payable from earnings of 20.86p (13.85p) per 5p share.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Alba	fin	2.85	Jan 8	2.85	4.35	4.35
Allied Rest §	fin	1.1	Nov 20	1	1.65	1.5
Amstrad	fin	1	-	1	1.4	1.4
Allwoods	fin	5.5†	Jan 31	5	8	7
Boosey & Hawkes	int	3.3	-	3	-	10
Castle Comms §	fin	5	Dec 11	4.2	8.5	7.2
Derwent Valley	int	2.5	-	1.5	-	6.1
Exmoor Dual Inv◆	fin	2.35	-	-	8.1	-
Hunting	int	3.5	Dec 12	2.2	-	6.7
Jackson Group	int	1	Nov 24	0.65*	-	2.65*
New Ireland	int	3♣	-	-	-	9.31
Paterson Zoch	fin	6.65	Dec 5	5.95	8.6	7.8
Ramus Hldgs §	fin	5	-	5	7.5	7
Roskel §	int	1.3	-	-	-	3
Serif Cowells §	int	1.5	Dec 4	1.5	-	6
Tudor §	int	1	-	0.67*	-	2.67*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ♣Irish currency. ◆Income shares.

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FINANCIAL TIMES
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This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange and does not constitute an invitation for the public to subscribe for or purchase shares.

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the Ordinary shares of the Company in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing. Subject to the passing of the necessary resolution at the Extraordinary General Meeting of the Company convened for 23rd October, 1989 and to the Offer for Hugin Sweda Group Plc becoming unconditional, dealings are expected to commence on Tuesday, 24th October, 1989.

RIVA

Riva Group Plc

(Incorporated in England under the Companies Acts 1948 to 1976, registered number 1384967)

Rights Issue
of 5,999,987 new Ordinary shares of 10p each at 105p per share
Subscription
for 8,000,000 new Ordinary shares of 10p each at 105p per share
in connection with the offer for
Hugin Sweda Group Plc.

Share Capital

Authorised		Issued and to be issued fully paid
£3,400,000	in Ordinary shares of 10p each	£2,599,999

The Ordinary shares to be issued in connection with the rights issue and the subscription will rank pari passu in all respects with the existing issued Ordinary shares including the right to receive all dividends and other distributions hereafter declared, made or paid, save for the right to receive a final dividend in respect of the year ended 30th June, 1989.

The Group's principal activities as enlarged by the acquisition of Hugin Sweda Group Plc will be the development, manufacturing and marketing of electronic point of sale equipment and related software to multiple retail chains and the food and hospitality sectors throughout the world either through their own operations or through dealerships.

Particulars relating to Riva Group Plc are available in the Extel Unlisted Securities Market Service. Copies of the particulars may be obtained from the Company Announcements Office of the Stock Exchange on the 19th and 20th October, 1989 and during normal business hours on any weekday (Saturdays excepted) up to and including 1st November, 1989 from:

Lloyds Merchant Bank Limited,
40-66 Queen Victoria Street,
London EC4P 4EL

Albert E. Sharp & Co.,
Edmund House,
12 Newhall Street,
Birmingham B3 3ER

18th October, 1989

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

SHEARSON LEHMAN HUTTON FINANCE, GENEVA

Announces the relocation of their offices on

October the 23rd, 1989

To:
ROUTE DE FLORISSANT 13
CH-1206 GENEVA
(Switzerland)

Mailing address:
P.O. Box 280
1211 GENEVA 12

Telephone

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Equity Products, Sales and Trading	789-0-540
Syndication	789-0-941
Telefax	789-0-740
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SHEARSON LEHMAN HUTTON FINANCE

Nationwide Anglia Building Society

£250,000,000
Floating Rate Notes Due 1996
(Issued by Nationwide Building Society)

Interest Rate: 15.225% p.a.

Interest Period:
17 October, 1989 to 17 January, 1990

Interest Amount per £5,000
Note due 17 January, 1990:
£191.88

Interest Amount per £50,000
Note due 17 January, 1990:
£1,918.77

Agent Bank
Baring Brothers & Co., Limited

NOTICE OF REDEMPTION
BANK OF TOKYO (CURACAO) HOLDING N.V.
£30,000,000
Guaranteed Floating Rate Notes Due 1990 (the "Notes")

NOTICE IS HEREBY GIVEN that pursuant to the provisions of Clause 5(b) of the Terms and Conditions of the Notes, Bank of Tokyo (Curacao) Holding N.V. (the "Company") has elected to exercise its right to, and shall, redeem on 30th November, 1989, all of its outstanding Notes at the principal amount thereof together with accrued interest to such date of redemption.

The payment of the redemption price and the accrued interest will be made on and after 30th November, 1989, upon presentation and surrender of the Notes together with all coupons appertaining thereto maturing subsequent to 30th November, 1989, at the principal office of Bank of Tokyo International Limited, as Principal Paying Agent, Northgate House, 20/24, Moorgate, London, EC2R 6DH, or at the principal office in the city indicated below of any of the following Paying Agents:

The Bank of Tokyo, Ltd., Brussels; The Bank of Tokyo, Ltd., Paris; The Bank of Tokyo (Holland) N.V., Amsterdam; Bank of Tokyo (Deutschland) A.G., Frankfurt; The Bank of Tokyo (Luxembourg) S.A., Luxembourg; Bank of Tokyo (Switzerland) Ltd., Zurich.

On and after 30th November, 1989, interest on the Notes will cease to accrue.

Bank of Tokyo (Curacao) Holding N.V.
By: Bank of Tokyo International Limited
As Fiscal Agent

18th October, 1989

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UK COMPANY NEWS

Currency influences dog Paterson

By Clare Pearson

THE DECLINING Nigerian naira continued to depress profits of Paterson Zochonis, the west African trader and manufacturer of toiletries and detergents, in the year to end-May.

The group, which owns Cussons, maker of Imperial Leather soap, posted a decline from £24.22m to £23.39m in pre-tax profits. Turnover rose to £205.56m (£190.39m).

However, a tax charge four percentage points lower at 34 per cent left earnings per share marginally higher at 30.14p (29.39p).

Investment income rose to £16.83m (£14.74m). Seventy per cent of PZ's investments are currently in sterling deposits, with the balance split between foreign currency deposits and international equities.

Pre-tax profits for the first half of the current year were likely to be in line with last year's £10.92m, PZ said. Support for expansion and new launches of Cussons' products were likely to absorb any increases in profits from this business for the time being.

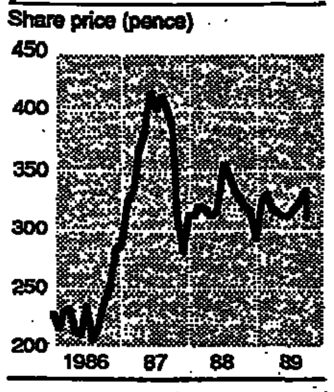
Meanwhile, the naira remains at its year-end level of 8.6p (against a May 1988 level of 13.3p) in the face of further economic measures to tighten the credit squeeze.

PZ said so far most group operations in Nigeria were maintaining sales volumes, though margins were lower. During the year under review, profits grew by 30 per cent in local terms.

Interparco, which trades in French-speaking west Africa, experienced success with rationalisation measures but trading conditions remained difficult.

At Cussons, good progress was made in consolidating new operations in Thailand and Indonesia. Recently expanded operations in Australia increased sales by 30 per cent. The business did well in the UK, with new shower and bathing products increasing sales and Imperial Leather holding its market share.

The final dividend is increased to 6.65p (5.95p), making 8.6p (7.8p) for the year.



● **COMMENT**

Paterson Zochonis, with investments worth nearly £150m, looks like a spectacularly safe haven for longer-term funds at the moment. However, with the Zochonis family holding 65 per cent of the company and determined to grin and bear it till better times turn up in Nigeria, and growth in the Cussons business slow and costly (since acquisitions are seen as too expensive), there is little else of interest in the shares. At the end of the day, PZ's investment in the Pacific Basin, together with long sufferance in Nigeria (the focus of its trading operations for 100 years) could pay off handsomely. Much depends on the naira but this year, the company is indicating, higher interest payments on the cash pile should help to offset lower margins in west Africa to produce roughly the same pre-tax outcome, though eps may be somewhat lower. A prospective p/e of over 10 does not look cheap relative to other overseas traders, but that is barely to the point. For the patient.

DRG promises early profits forecast

By Clare Pearson

DRG, the paper and packaging company under pressure from the £697m hostile cash offer launched by Pembridge Investments, a Bermuda-based vehicle, yesterday promised shareholders a profits forecast in short order.

This was after DRG's shares had for the first time fallen below the level of the 580p cash offer from Pembridge amidst Monday's stock market turbulence. Pembridge then lifted its stake from about 24.5 to 29.9 per cent.

Yesterday DRG shares closed 10p higher at 579p.

Mr Moger Woolley, chief executive, said the profits forecast would come sooner than earlier envisaged, although not until after a statement had been made on whether Pembridge's offer would be referred to the Monopolies Commission. He expected this to come next week.

DRG yesterday also promised shareholders a statement on future dividend policy and further details on property profits, expected to be significant components of its results over the next few years.

Today marks the first closing date for Pembridge's offer.

The offer significantly undervalues the company, despite the turbulence recently displayed by world financial markets, DRG said. It urged shareholders to hold on to their shares.

Mr Woolley added that he believed there was widespread concern among MPs and others about various aspects of Pembridge's bid, such as the fact that it was launched from a tax haven and was highly leveraged.

Defence division increase behind Hunting's 45% rise

By Jane Fuller

HUNTING, the defence, aviation, oil and technical group formed in the summer from three family-controlled companies, showed a 45 per cent increase in pre-tax profits to £17.8m for the six months to June 30.

The results were helped by a rise to £9.86m (£4.66m) in the defence division and a profit on property disposals this time of £1.54m. However there was a loss of £1.29m in the technical division, against profits of £86,000.

Turnover rose 15 per cent to £336.7m (£292.6m) and fully diluted earnings per share were 12.2p, compared with 9.3p. An interim dividend of 3.5p will be paid.

Before this week's stock market fall, the price/earnings ratio had improved from between seven and eight for the largest of the three constituent companies to 10 for the new group.

In August, the group acquired Irvin Industries, a US maker of airborne weapon retarders and parachutes which had a turnover of $65m (£41m) in 1988. Hunting's 40 per cent gearing was mostly related to this. Through borrowing in dollars, it had little exposure to high UK interest rates.

Turning to the less impressive performances, Mr Ken Miller, managing director, said that most of the profit fall from £3.22m to £2.69m in the aviation division was caused by the grounding of Air Bridge Carriers' fleet of merchantmen for structural modifications.

Better news came from the buoyant business in fitting out small passenger aircraft: British Aerospace's Jetstream 31 and 41 and the Saab 340. Because many of these were being sold to the US, Hunting was planning to establish its Field Aviation subsidiary there.

The oil division showed a small profits growth to £4.23m (£4.15m). This represented a better than expected result from the Canadian crude oil business. Specialised products, such as paints and putties, had suffered from a downturn in the UK DIY market. There had also been start-up costs from launching the Hammerite rust prevention product in the US.

Losses of £1.29m were made by the technical division. Earnings from resource survey (advising overseas countries on land use) and photographic services were more than cancelled out by losses in other activities, including car components, high-resolution graphics terminals and composite materials for boat building.

These would be closely examined in a review of the group's 20 businesses, due to be completed in a few months' time, said Mr Miller.

● **COMMENT**

The challenge facing Hunting is to improve the performance of its non-defence businesses so that they can take up the running on profits growth when sales of the stalwart JP233 start to decline next year. The defence plateau is likely to last until 1992 when SWAARM and MLRS are expected to gather momentum. Some nettles have to be grasped in the review and the company is playing its cards close to its chest over candidates for sale, even though some analysts think that composites and precision engineering are obvious examples. There are two schools of thought on whether the company has been sufficiently re-rated. Some analysts say the p/e is about right because of the prospect of flatter earnings from defence. Others point out that the price is on the cheap side in the aerospace field. With a prospective multiple of less than 8 on the pre-tax forecast of £46.6m, there probably is room for improvement.

L&G experiences slowdown in personal pension market

By Eric Short, Pensions Correspondent

ONE OF the major conclusions arising from the first nine months new business figures issued yesterday by the Legal & General Group was that the personal pension market was very quiet in the third quarter of the year, following the boom in the first few months.

Third quarter new annual premiums of L&G, one of Britain's largest life assurance and financial services groups and a major player in both the personal pension and the company pension markets, were just 4.5 per cent higher at £18.4m (£17.6m) while new single premiums, excluding payments from the Department of Social Security, were about last year's level of £16.3m.

The third quarter is normally a quiet period in the individual pensions market. People generally leave their pension arrangements until much later in the tax year.

Nevertheless, Mr John Elbourne, group director (life and pensions), was pleased with the manner in which pension sales were holding up.

At the nine-month stage to end-September, new annual premiums on individual pensions were almost 30 per cent higher at £67.5m (£52m) and single premiums had more than doubled from £60.1m to £161.8m – a figure which included £76.6m rebate payments from the DSS.

Group life and pension business rose by more than 40 per cent in the third quarter from £9.5m to £13.4m, reflecting both growth within existing schemes and new schemes being set up.

However, the continuing dull conditions in the house mortgage market resulted in a third quarter fall of 13 per cent in new annual premiums on mortgage-related business from £32.7m to £28.4m.

Unit linked life and unit trust business remained flat over the period.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Banner Homes, Boot (Henry), Bracken Mines, British Shoe Corporation, Broadstoner, Chesterfield Properties, City of Oxford Trust, Davies & Newman, Elsburg Gold Mining, Hawker Siddeley, House of Lerose, Joel (HJ) Gold Mining, Kinross Mines, Leslie Gold Mines, Midland & Scottish Resources, Petrocon, Randfontein Estates, Runciman (Walter), Silvermines, Unisel Gold Mines, Western Areas Gold Mining, Winkelhaak Mines, Witwatersrand Nigel.

Finals- Beazer, Synapse Computer Services.

FUTURE DATES

Interims-	
Banner Homes	Oct. 18
Bimec	Nov. 8
CST Emerging Asia	Oct. 19
Channel Tunnel	Oct. 26
Chevron Corp.	Oct. 25
Elswick	Oct. 19
Govett Strategic	Oct. 27
Metzzanine	Oct. 25
NEC	Oct. 27
New Throgmorton	Oct. 27
Prowting	Oct. 31
River & Merc Geared Cap	Oct. 19
Royal Insurance	Nov. 15
Vivat	Oct. 24
Finals-	
Allied London Props	Oct. 23
Casket	Oct. 20
Cooper (Frederick)	Oct. 24
Fisher (Albert)	Oct. 19
Majedie	Oct. 28
Parkway	Nov. 29

Roskel rises 45% to £1.4m

Roskel, the USM-quoted suspended ceiling contractor and distributor, lifted pre-tax profits for the six months to June 30 by some 45 per cent to £1.42m on turnover ahead from £10.4m to £12.99m.

Mr Simon Skelding, chairman and managing director, said the level of enquiries and forward orders for the contracting division for 1990 was at a higher level than this time last year.

After tax of £510,000 (£353,000) earnings per share emerged at 9.92p (5.23p) for an interim dividend of 1.3p.

Geers Gross ahead 9% to £161,000

Geers Gross, the advertising agent and consultant, reported pre-tax profits up 9 per cent from £147,000 to £161,000 in the six months to end-June 1989.

The result came from a 3 per cent increase in turnover to £18.14m (£17.63m) and earnings per 10p share improved to 1.06p (0.97p).

The directors said the company was moving ahead of the industry as it had anticipated the changing nature of the sector's new profit base.

Hartley Baird

Hartley Baird has paid £1.5m for Nemco Holdings whose principal trading subsidiary Klaxon manufactures a range of fractional horsepower electric motors. Of the consideration County Natwest Ventures took 1.67m Hartley Baird ordinary at 60p per share. Balance satisfied by a combination of cash and loan notes.

Brunning warns of significant losses and shares decline 17p

By John Ridding

BRUNNING GROUP, the advertising and marketing company, warned yesterday that its interim results would show a "significant loss" and that full-year profits would show a fall from last year's outcome.

The shares, which have fallen steadily since mid-September, lost a further 17p yesterday to close at 105p.

Mr David Linnel, chairman, who assumed executive responsibilities following last months's departure of Mr Trevor Shonfeld, group chief executive, said that the first half had been "materially affected by costs associated with the merger of the group's London agency with Chetwynd Haddons."

Brunning acquired Chetwynd, a consumer advertising agency, from Addison Consultancy Group in January for £3.9m.

Mr Linnel said that a number of steps had been taken to restore the group to a sound base. Mr Neil McLure, formerly finance director at FKB Group, the marketing and sales promotion company, has been appointed chief executive. Overheads have been cut, including a reduction in overall staff numbers.

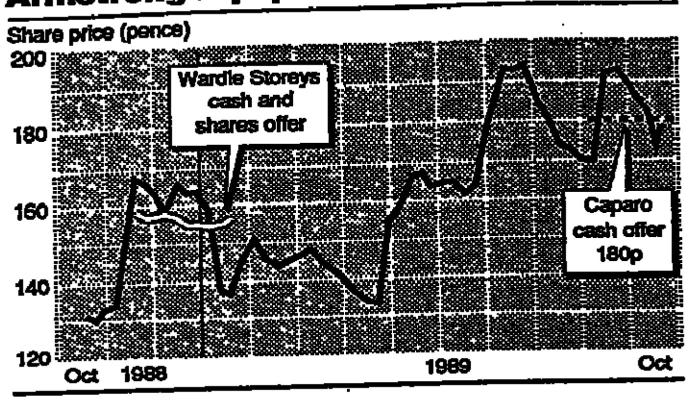
According to Brunning, the timing of clients' advertising expenditure, which favours the second half of the year, means that the group should show a profit for the full year, although at a lower level than last year.

Following the departure of Mr Shonfeld, Brunning is focusing on developing its UK businesses rather than international expansion. It has dissolved its joint venture with Ketchum Communications, the US agency, only one year after it was set up.

In the year to March 31, Brunning increased pre-tax profits from £873,000 to £962,000.

Caparo extends offer for Armstrong Equipment

By John Ridding



CAPARO GROUP, the private holding company headed by Mr Swraj Paul, announced that it had received acceptances representing 30 per cent of the shares in Armstrong Equipment, the industrial fastener and engineering company, for which it is bidding £35.8m.

But the level of acceptances at Monday's first closing date represent an increase of only 0.8 per cent over the stake held by Caparo prior to the bid. The offer is being extended to October 30.

Analysts said that the bid was still in its early stages and that first closing dates generally show a low level of acceptances. But they expected that Caparo would have to improve its terms to be successful.

Mr Paul said that the current volatility of the stock market would make the bid increasingly attractive to investors. He added that Armstrong's share price, which closed yesterday at 178p, had fallen below the 180p per share offer and that the cash nature of the bid improved its chances in the current uncertain environment.

But Mr John Pratt, Armstrong's finance director, said that he was delighted with the level of acceptances. He said that the number of new acceptances was even lower than that received by Wardle Storeys in its bid for Armstrong earlier this year.

Mr Pratt accepted that cash could be more attractive to investors in the current market conditions but argued that "if investors were going to get nervous then Monday would have been the day."

Armstrong has cash holdings estimated at £40m following the sale of its suspension division earlier this year.

Mr Roy Watts, chairman, said that the strong balance sheet meant that the company was "particularly well positioned to take advantage of opportunities which will arise in the prevailing economic conditions."

Record trading lifts shares in Ashtead

SHARES IN Ashtead Group, the USM-quoted plant and machinery hire group, bounced back 18p yesterday to close at 260p after Mr Peter Lewis, chairman, told the annual meeting that trading in the first five months of the present year was at record levels.

The shares lost 28p the previous day and had been at 325p following the report of the 1988-89 results in August.

Mr Lewis said that continuing high levels of spending in the construction and civil engineering industries supported further growth.

More than half its profits were generated in the midlands, north of England and Scotland and it had only a small exposure to the housebuilding market.

Reliant Plant, acquired in January, was making an increasingly profitable contribution.

Alba dips to £4.1m as interest rates bite

By Ray Bashford

ALBA suffered a decline in pre-tax profits during the 12 months to June 30 amid increasingly difficult trading conditions in the consumer electronics industry.

Profits fell from £4.61m to £4.08m. Sales, however, rose 79 per cent to £73.77m aided by contributions from two acquisitions.

Mr John Harris, chairman, said the performance was satisfactory when compared with the recent records of other companies in the industry which have been more severely affected by the impact of higher interest rates.

However, he added that while interest rates remain at their prevailing levels its was "unlikely that we will see a significant upturn before the end of the current financial year."

The total dividend is held at 4.35p with a maintained final of 2.85p.

Alba France, formerly Telectrolis, which was acquired for FFr22.5m (£1.06m) in August last year as a springboard for continental European expansion, performed well below expectation.

As the result of a £500,000 loss, against an expected profit of the same amount, Alba of France has been moved to new premises and the management structure has been altered.

Bush Radio, purchased for £6m in May last year to expand Alba's distribution operations, operated profitably although the forced sale of obsolete stock reduced margins.

The latter acquisition boosted turnover by £21.9m while Alba France returned sales of £3.4m. Combined, these accounted for the bulk of the increase in group turnover.

Alba's move last August into satellite broadcast receiver retailing returned sluggish results.

Mr Harris said that after initial strong sales as customers built up inventory levels, the purchase level from consumers declined, although there has been evidence of an improvement since the close of the financial year.

Despite the prevailing confusion and controversy within the UK satellite market, Mr Harris remained confident about the longer term outlook for the industry.

Castle improves 70% to £1.79m

CASTLE COMMUNICATIONS

CASTLE Communications, the USM-quoted record and video company, returned profits of £1.79m pre-tax for the 12 months ended June 30, a 70 per cent improvement on the previous year's £1.05m.

Turnover of the enlarged company accelerated from £9.74m to £20.94m and further acquisitions in the current year will take Castle into new geographical territories such as Australia and West Germany.

Earnings per 5p share rose by 10p to 28.5p and the dividend for the year is being stepped up from 7.2p to 8.5p via a final of 5p.

Sweeter note from Boosey & Hawkes

A 25 per cent improvement in interim profits was yesterday reported by Boosey & Hawkes, the sheet music publishing and instrument manufacturing group.

At the pre-tax level for the six months to end-June, profits expanded to £875,000 (£698,000) on turnover of £21.05m (£19.35m).

The company had seen "encouraging" growth in the number of performances of works by its contemporary composers leading to progress in both sheet music and royalties. All instrument factories increased output during the period, directors said.

An increased interim dividend of 3.8p (3p) is declared, payable from earnings per share of 10.7p (8.5p).

Setback at New Ireland

New Ireland Holdings, the Dublin-based composite insurer, yesterday announced taxable profits of I£1.27m (£1.15m) for the six months to June 30 1989.

The result showed a 24 per cent decline on the I£1.68m achieved in the comparable period of 1988. Earnings per 10p share dipped to 6.03p (10.23p), but a maiden interim dividend of 3p is declared.

Molyneux Estates assets increase

Molyneux Estates, the property investment company, has increased its pro-forma net assets to £14.3m, or 79p per share, compared with £10.9m at the time of its flotation on the USM in June this year.

In that time it acquired a variety of properties at a cost of about £9.65m. The enlarged portfolio had been valued at £30.4m giving a surplus of £3.4m.

The increases were announced at the same time as results for the year to June 23 which showed pre-tax profits of £4,000 on turnover of £574,000. That compared with profits of £216,000 on turnover of £587,000 for the 15 months to June 23.

After tax of £3,000 (£4,000) earnings per share were 0.04p (0.9p).

Ramus warns of poor first half

Ramus Holdings, a ceramic tile maker, reported pre-tax profits up from £1.05m to £1.26m in the year to June 30 1989.

Mr Lionel Ramus, chairman, warned that results for the six months to December 31 would be poor but said there would be a revitalisation of the company's market which had substantial medium and long-term growth potential.

Turnover rose to £51.67m (£44.61m). Earnings per share came out at 19.5p (12.9p) and the total dividend goes up to 7.5p (7p) with a same-again final of 5p.

Compensation and closure costs hit Serif Cowells

SERIF COWELLS PLC

COMPENSATION of £684,000 paid to three directors and a loss of £325,000 on continued operations, related to the closure of the book and colour operation of a subsidiary, left Serif Cowells, best known for the Trivial Pursuit board game, with pre-tax profits for the six months to end-June of £74,000 against £1.81m — comparisons have been restated.

Serif announced last month that it was closing the book and colour operation with the loss of 140 jobs. The business made a loss of £309,000 last year.

Peter Barker, chairman of the USM-quoted leisure, printing and publishing group, said it was with a sense of cautious optimism that the company entered the second half of the year.

Trivial Pursuit sales and orders, some 3.1m units last year but only expected to reach 2m this, were ahead of budget. Spottiswoode Ballantyne had performed above forecast and the publishing division had also performed well.

Nintendo, said to be the world's best selling electronics game system, was not expected to contribute to profits this year but would make a "significant return" from 1990.

Turnover was £22.4m (£27.9m). Tax took £26,000 (£633,000) and earnings came out at 0.2p (4.8p restated). The interim dividend is maintained at 1.5p.

Allied Restaurants advances to £0.96m

Profits before tax of USM-quoted Allied Restaurants rose from £805,000 to £959,000 for the year to July 16 1989. Turnover expanded by £5m to £17.05m.

The dividend for the year is lifted from 1.5p to 1.65p via a final of 1.1p.

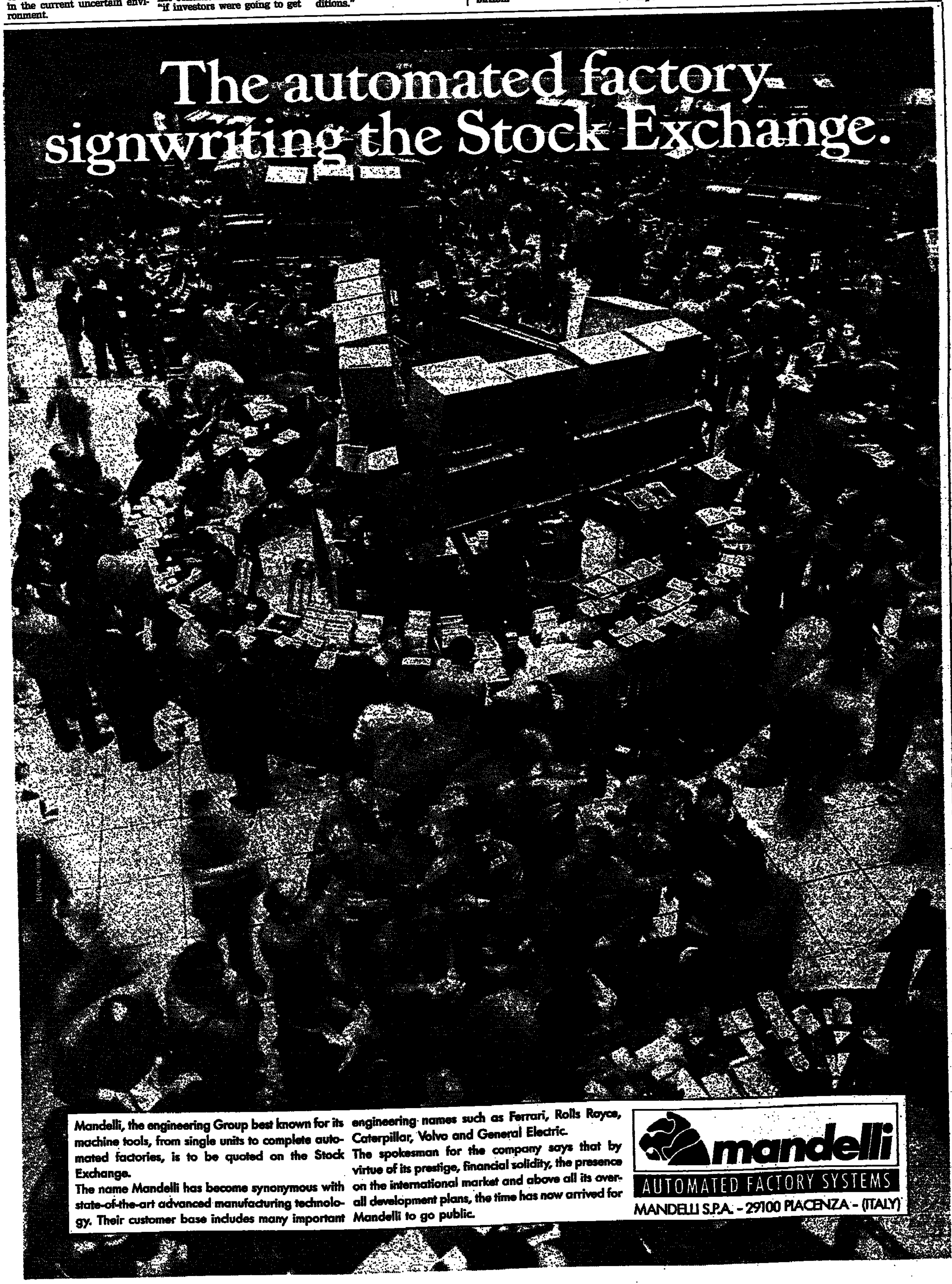
The directors said their strategy to create a more broadly-based leisure and catering group was proving to be successful.

All-round growth at Jackson Group

A "solid" performance from all divisions helped Jackson Group, the Ipswich-based construction and industrial services company, produce a 61 per cent expansion in interim profits.

On turnover ahead 30 per cent to £26.27m, the pre-tax line advanced from £790,000 to £1.27m.

Earnings per 10p share improved to 3.7p (2.3p) and the interim dividend is raised to 1p (0.65p adjusted).



Notice of Redemption

Republic of Italy

₤150,000,000 Floating Rate Notes due 1992

NOTICE IS HEREBY GIVEN that pursuant to Condition 6(b) of the Notes the Republic of Italy has elected to redeem on November 20, 1989 (the "Redemption Date") all of its outstanding Floating Rate Notes due 1992 (the "Notes") at a redemption price equal to the principal amount thereof plus interest accrued to the Redemption Date. On and after the Redemption Date, interest on the Notes will cease to accrue.

The Notes should be presented and surrendered to the paying agents as shown on the Notes on the Redemption Date with all interest coupons maturing subsequent to said date.

Coupons due November 20, 1989 should be detached and presented for payment in the usual manner.

October 18, 1989
By Citibank, N.A. (CSSI Dept.) London Fiscal Agent

Dated — 18 October, 1989

This notice is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not constitute an invitation to any person to subscribe for or to purchase shares.

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the Ordinary Shares of Glencar Explorations PLC on The Third Market in Dublin and London and dealings are expected to commence on 19 October, 1989. It is emphasised that no application has been made for these securities to be admitted to Listing.

GLENCAR EXPLORATIONS PLC

(Incorporated and registered with limited liability in Ireland under the Companies Acts, 1963 to 1986 — Registered No. 35324)

INTRODUCTION

of 18,488,228 Ordinary Shares of IR2.5p each

to

THE THIRD MARKET OF THE STOCK EXCHANGE

by

J & E DAVY

BUSINESS

Glencar has been involved in a wide variety of mineral exploration programmes, chiefly in Ireland. Glencar's current principal areas of exploration are in Navan for lead/zinc and in Mayo for gold in a joint venture with Andaman Resources PLC.

Particulars of the Company are available in the statistical services of The Third Market Service. Copies of the Extel Card may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 2 November, 1989 from J & E Davy, O'Brien & Toole and Glencar Explorations PLC at the addresses below:

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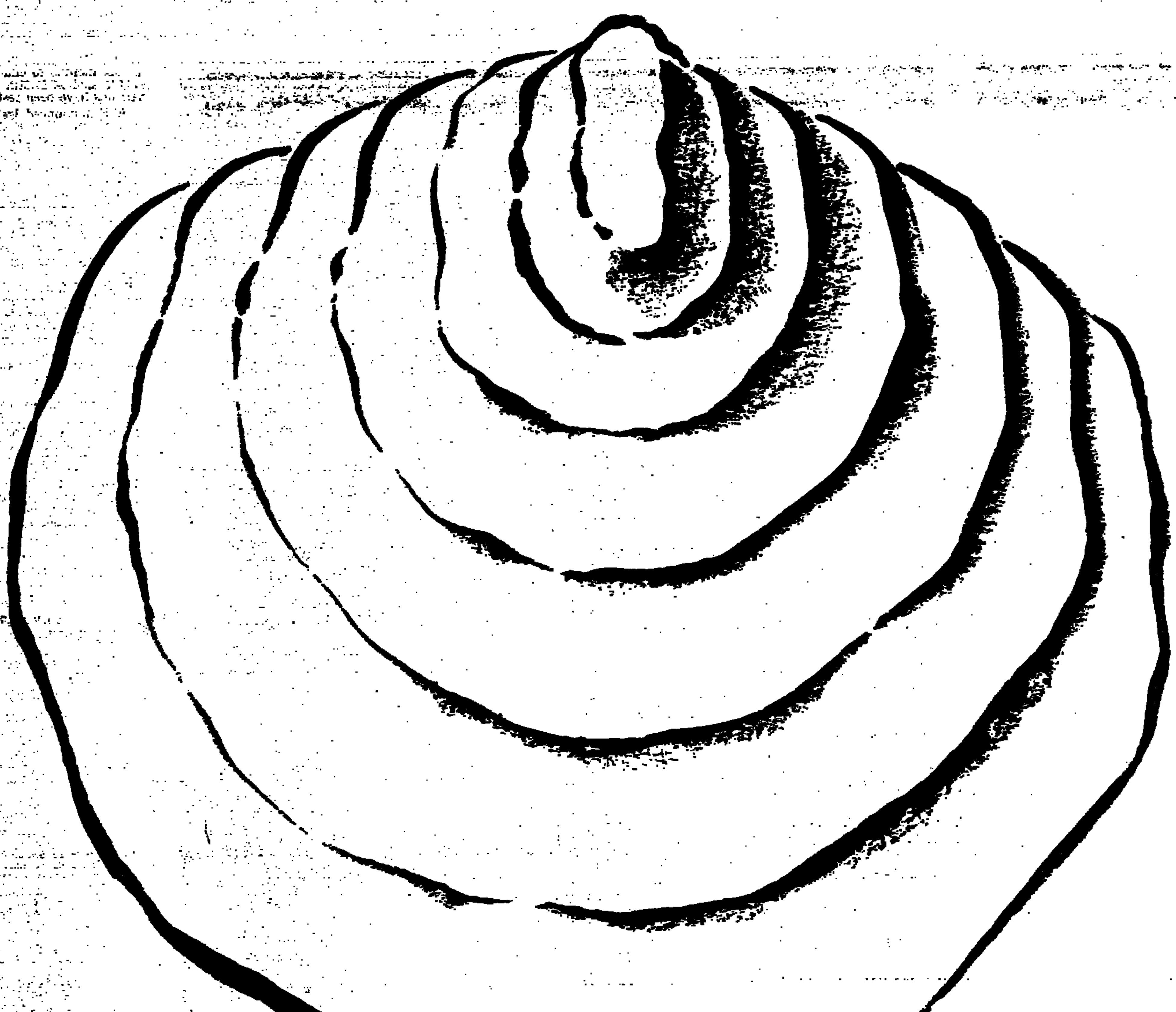

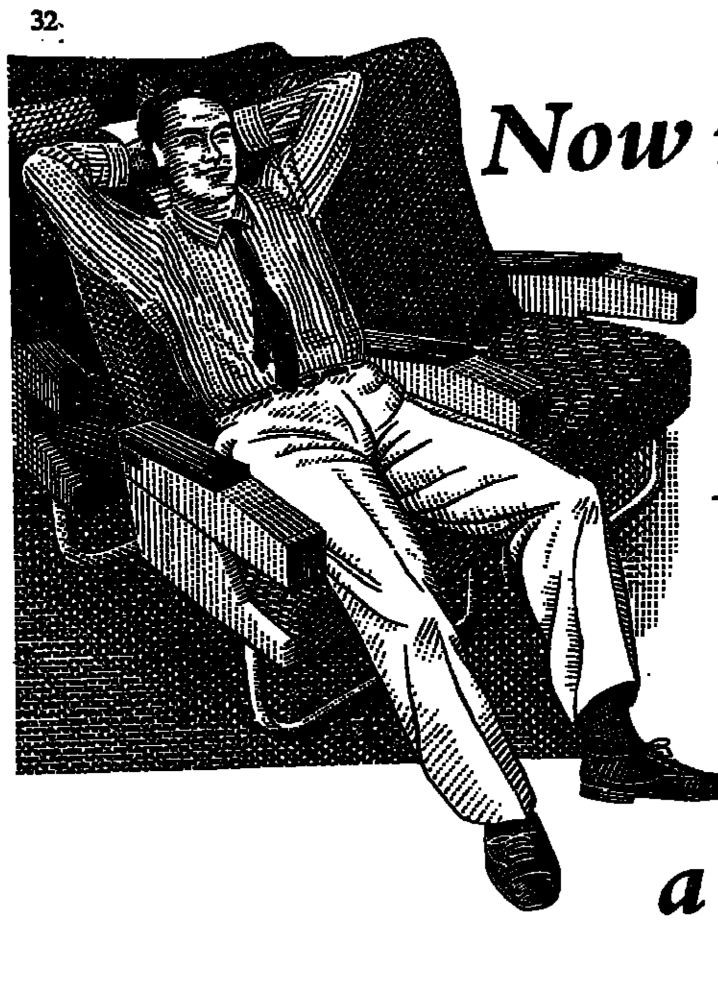

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CONTRACTS

Environmental control at Sizewell

Taylor Woodrow's environmental engineering specialist, TAYMECH, has been awarded a contract by the Central Electricity Generating Board worth over £30m for the design and installation of heating, ventilating and air-conditioning (HVAC) systems at Sizewell B nuclear power station.

This is the first pressurised water reactor (PWR) to be built in the UK, although PWRs have been in use throughout the major industrial nations for many years.

The HVAC systems at Sizewell B have to conform to strict standards relating to station safety. As a result much of the equipment has to be seismically and environmentally qualified with airtight, all-welded ductwork manufactured to the nuclear industry specification AES.6008.

The systems incorporate almost 1,000 high quality fire dampers which have electro-hydraulic actuators, as well as normal thermal release mechanisms. They can be zone or group controlled.

The refrigeration and condensing plant supplied as part of the contract has a total cooling capacity of 3,000 kW, while chilled water to several of the air handling units is supplied from a central station chiller plant in a separate contract.

A number of systems are designed for continuous operation - even in the event of an earthquake - and for a 40-year station life. All the installations and equipment are controlled and continuously monitored by some 400 local control panels.

Work on the Suffolk site is due to start in March 1990 with completion at the end of commissioning in November 1993. The station itself is programmed to go into commercial operation in 1994, when it will have an output of 1175 MW.

Automated voice system for directory enquiries

STC TELECOMMUNICATIONS has won an order worth £15m for an automated voice response system (AVR) to be used in British Telecom's directory enquiry service.

It will enable British Telecom's operators to process more calls. The operator, on receiving a directory enquiry, will search the computerised Directory Assistance System (DAS), to find the required name and number. Then, instead of personally giving the information to the caller, the operator will pass the enquiry to the AVR system which will "speak" the telephone number. The number will be repeated twice. Should the caller require further assistance, he or she will simply stay on the line and be reconnected to the operator.

The system, which is based on human voice recordings, uses fixed pauses between phrases, variable pauses between digits and different inflections to produce what are claimed to be natural sounding messages.

The AVR system is produced by Computer Consoles Incorporated (CCI) of Rochester, New York, US, a wholly-owned subsidiary of STC.

Transaction terminals to check plastic cards

Barclays Merchant Services is augmenting its UK-wide card payment and verification system with £10m worth of Racal transaction terminals over the next two years.

RACAL-TRANSCOM will supply a range of equipment, including its recently announced TCL 210 terminal which Barclays will market as PDQ II. These help to eliminate credit card fraud and allow retailers and other card-accepting businesses to save time and avoid errors in processing plastic card payments.

The terminals supplied to Barclays are to be used on its country-wide PDQ (Processes Data Quickly) system, and will be installed in retail outlets all over the UK, particularly in market areas where high value or high-volume transactions are routine.

In locations equipped with TCL 210 terminals, when a customer pays by card the seller simply "wipes" the card through a reader in the terminal. Within seconds the card is checked against a regularly updated electronic list of stolen or otherwise refused cards and payment is authorised where appropriate. The customer signs a voucher printed from the terminal.

£11m nuclear engineering orders

THOMPSON NUCLEAR ENGINEERING, a business unit of NEI Thompson of Wolverhampton, has won orders worth a total of more than £11m for equipment for the UK nuclear industry.

The first order comes from the South of Scotland Electricity Board for a remotely operated fuel element bottling facility at its Hunterston B power station.

British Nuclear Fuels has ordered six swarf retrieval flasks, each weighing about 31 tons, for use at Sellafield.

Finally, the Ministry of Defence has ordered a swarf oxidation plant for use at Aldermaston.

NEI Thompson is part of Northern Engineering Industries.

Landing gear for Jetstream 41

BBA GROUP, a diversified multinational industrial group, has been selected by British Aerospace to supply main and nose landing gears, including the steering system, for its new 29-seat regional airliner, the Jetstream 41.

A subsidiary, AP Precision Hydraulics in Liverpool, already supplies hydraulic controls for the smaller Jetstream 31, and it is expected that some or all of these controls will be used on the new aircraft.

Prototypes for the £46m contract are to be delivered in 1990. Full production starts in 1991 and runs for over 10 years.

Tesco supermarket in Blackpool

The TAYLOR WOODROW GROUP'S northern regional construction company has won three contracts with a combined value of some £14m.

The first is a design and build contract for a supermarket, car park and petrol filling station for Tesco Stores in Blackpool. This retail development is the third such project TWC (Northern) has undertaken for Tesco and is due for completion in mid 1990. The project is valued at £8m.

Secondly TWC (Northern) is to design and construct an extension to the sewage treatment works at Aldershot for the Thames Water Authority. TWC (Northern) will complete all civil, mechanical and electrical engineering work related to the project, valued at over £4m.

The third contract is to design and construct a maternity unit at Hartlepool General Hospital. The client is the Northern Regional Health Authority.

Equipping a naval supply ship

NEI CLARKE CHAPMAN, Gateshead, has won a £4.5m contract to supply equipment and systems to the Royal Fleet Auxiliary supply ship AOR 02. The 32,000 tonne vessel is being built by Swan Hunter Shipbuilders on Tyneside.

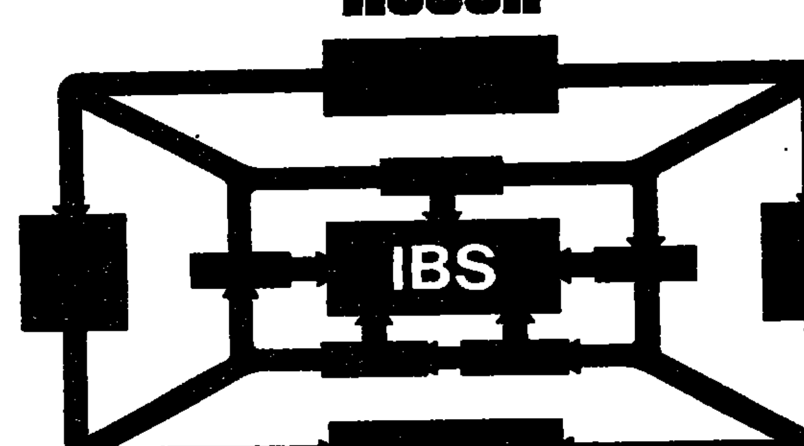
Clarke Chapman is to supply four replenishment at sea (RAS) stations, six cranes, winches and windlasses, capstans and steering gear. The RAS stations were developed under a separate Royal Navy contract, and enable RAS operations to be undertaken in harsher sea conditions and more rapidly.

NEI Reyrolle, of Hebburn, has won an order worth almost £2m from Northern Ireland Electricity to modernise the switchgear at its 300kV substation at Ballylumford. The SF6 switchgear will replace the air-blast circuit breakers to provide improved performance with lower maintenance costs.

Both companies are part of Northern Engineering Industries.

TECHNOLOGY MARKET

Haden



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National Engineering Laboratory

- CIM Applications Centre -

The CIMAC facility has been set up to disseminate expert advice on Open Systems (OSI) standards based communications and to create a greater awareness of the potential benefits of Computer Integrated Manufacture. In addition CIMAC provides extensive consultancy on various aspects of CIM.

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Contact Geraldine Bruin

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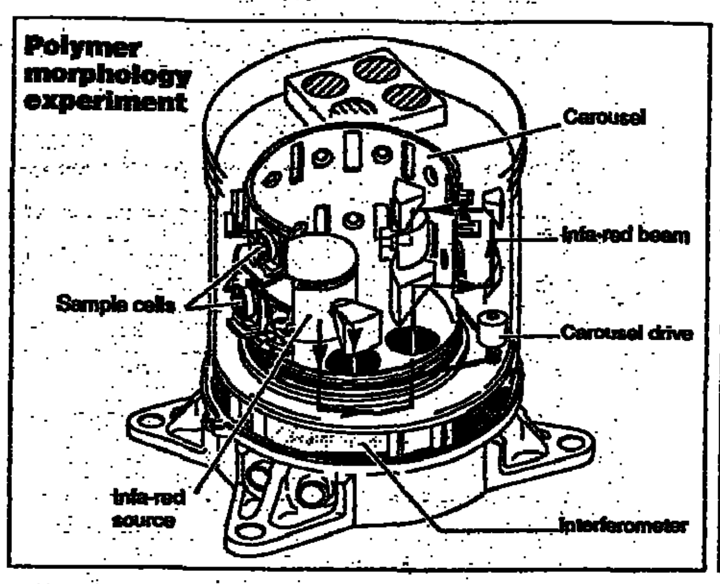

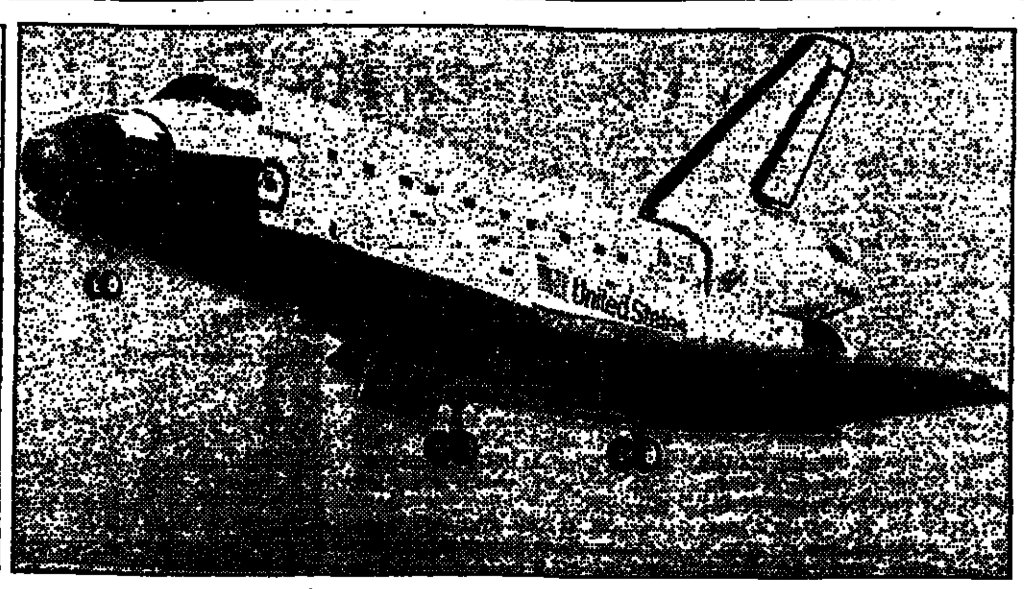

Lynton McLain assesses the progress of experiments carried out in space

The lost gravity of Atlantis

The Atlantis space shuttle was scheduled to take off from the Kennedy Space Centre in Florida yesterday despite protests over two plutonium nuclear reactors being send to Jupiter on board the Galileo spacecraft.

The protestors were local people worried that the shuttle might explode and scatter plutonium over the state. Legal attempts to stop the launch before it was postponed last week were rejected by a Washington DC judge. In the end it was a computer malfunction that caused that delay.

The postponement upset scientists, who were anxious to see how six experiments on board Atlantis would fare under the low gravity conditions of earth orbit. The experiments are designed to discover how processes and materials are affected by microgravity. Scientists hope the experiments will benefit industrial processes, while recognising that much of the work is pure science – involving research into electronic materials, metals, glasses and ceramics, biological materials and chemicals – with no immediate prospect of commercial application.

The experiments have re-opened a debate over whether microgravity in space is worth pursuing, especially since some of the experiments can be carried out on earth under simulated conditions. US and UK scientists have opposing views about the validity of microgravity experiments.

The acquisition of basic scientific knowledge through space is considered by US scientists to be a big part of the development of improved products on earth. Commercial companies there provide their own funding and, encouraged by the National Aeronautics and Space Administration (NASA), plough forward with microgravity experiments, however esoteric and risky they are from a commercial viewpoint.

But in the UK, a report for the Science and Engineering Research Council on prospects for British participation in microgravity research, says most microgravity experiments are not worth pursuing, at least in Britain. The report's author, Sir Brian Pippard of the University of Cambridge, says: "I see no strong case for becoming seriously involved." He says the "prospects for manufacture in space, whether of semiconductor crystals or pharmaceuticals, are poor."

The British National Space Centre, operated under the auspices of the Department of Trade and Industry, coordinates British efforts in space. It has gone into closed session over how it should respond to the report. Sir Brian says that his arguments do not imply that participation is unjustified, but the arguments "hedge [the issue] around with such conditions as could only be met by strenuous lobbying, followed by a hard recruitment exercise to overcome the dearth of interest that is the harvest of years of neglect."

The only area that promises "significant extension of fundamental knowledge" is the crystallisation and X-ray analysis of proteins, he says. British molecular biologists have regarded microgravity "coolly", but the latest (unpublished) reports from NASA may force them to reconsider their position, he says. The Science and Engineering Research Council, which channels Government money for research, has said that it will not take part in the European Space Agency microgravity programme, which proposes research for the Columbus space station under development in Europe. Bill Mitchell, council chairman, said that there was "insufficient evidence of scientific promise to justify our involvement in a major programme."

In the US, commercial and academic scientists are not so cautious. They are content with the pure science aspect of microgravity and hope that it will lead to an increase in knowledge. Commercial spin-offs would be a bonus, but so far it has not been a condition for research support.

Gravity is a significant force in the tiny world of molecules. In the microgravity conditions of space, molecules may arrange themselves in stronger, more stable patterns. Lester Krogh, senior vice president for research and development for the 3M corporation, says that once microgravity is better understood it should be possible for techniques to be developed to trick nature into mimicking the conditions of microgravity. This could lead to ways of processing materials with new properties on earth and would overcome the limits of manufacturing in space.

The Atlantis experiments range from the "mesoscale lightning experiment" which will study the effects of lightning on earth to a sensor technology experiment which will determine the character of cosmic radiation and cosmic ray events. Another experiment, on polymer morphology, will measure the effects of the near-zero gravity of earth orbit on plastic materials as they are being formed. Measurements will be recorded every 3.2 seconds during the 100 hours of microgravity experiments.

The experiment is the first of a series of 62 space flight experiments under a 10-year joint endeavour agreement between NASA and the 3M corporation. Polyethylene and nylon will be processed in space. The nylon is to be made from its raw material, caprolactam, and then polymerised. Krogh says that one of the purposes of the polymer morphology experiment is to see if it is possible to increase the crystalline character of polymers. Orientating the molecules in polyethylene film in microgravity could increase its strength, he says.

One product 3M is considering for possible space experiments is gallium arsenide, a semiconductor material that is difficult to purify on earth. "Pure gallium arsenide would be extremely valuable," Krogh says. Experiments on proteins in space are important because the development and effectiveness of new drugs depend on an understanding of what protein molecules, some of the most complex in nature, look like.

Because proteins are difficult to crystallise perfectly on earth, our knowledge of their structure is limited. "Yet in space, they crystallise automatically in perfect shapes," says Krogh. But the information can be analysed on earth and "you then know exactly how to put a drug into the keyhole of the protein."

Microgravity experiments have produced perfectly circular polymer beads, used for calibrating hypodermic needles to national standards. This was impossible to do on earth. Microgravity research has also helped farmers. John Deere, the US farm equipment company, simulated the effect of microgravity on the distribution of carbon in grey iron. Information gained enabled the company to produce stronger iron for its tractors.

Mr Thomas Wollner, a staff vice president for 3M corporate research, says that an understanding of the structure of matter "drives everything we do. We aim to find what part of a molecule is responsible for what properties."

3M makes hundreds of products, such as the yellow "Post It" notes that stick to the office wall or desk. These appear to be far removed from space research, yet their design depends on an understanding of materials and processes at a molecular level.

Engineers who play with great balls of fire

David Fishlock visits the Winfrith nuclear testing laboratory

Technology transfer has turned full circle on Winfrith Heath in Dorset, where the chemistry and physics developed to simulate serious nuclear accidents are being recycled for the benefit of the oil and gas industry.

Test environments for violent events like explosions, fires and meltdowns are being sought by oil companies to assess the safety of offshore facilities. As one Winfrith scientist remarked: "It's lovely to break other people's toys."

The Winfrith laboratory – part of the UK Atomic Energy Authority (also known as AEA Technology) – is the centre for large-scale testing of nuclear equipment. Winfrith started operating in petroleum technology in 1980. It began by supporting the Department of Energy with computer models of the UK's offshore oil reservoirs, as a check on the industry's reserve estimates.

Two years ago, a consultancy business, Winfrith Petroleum Technology, was set up by the laboratory. It is earning about £9m a year in consultancy fees, says Peter Parris, its managing director. "We don't want high volume – we want the profitable business," says Parris. This summer petroleum was designated one of the new business areas to be marketed by AEA Technology, bringing in the expertise of its other laboratories.

Testing engineering safety and reliability accounts for about 30 per cent of the laboratory's work, which has 1,800 staff and annual budget of more than £60m. Winfrith's approach to engineering studies is to combine scale-model experiments (exploring the limits of materials and designs) with computer models. Experiments alone are insufficient, says Derek Pooley, its director, but they can be used to verify the computer models.

Winfrith's test environment offers three main things: simulated collisions between objects after an explosion; extremely high temperatures; and the means of examining the behaviour of fire.

To investigate the consequences of a violent collision – between parts of an exploding factory and surrounding plant, for instance – Winfrith uses a powerful airgun called the horizontal impact facility. This is driven by compressed air, capable of firing a 64 kg missile at up to 250 m per second (about 550 miles/hour). It has interchangeable barrels large enough to fire the engine of a light aircraft so it can be simulated falling out of the sky. A 1,000-tonne block of reinforced concrete is used to absorb the impact of missiles weighing up to two tonnes but, "just in case", they clear the area of cows as well as people before firing the gun.

The £2m facility was jointly-funded by the UK Atomic Energy Authority and the Central Electricity Generating Board to learn more about the damage that could be done by a crashing aircraft or a burst in a turbo-generator. It costs about £20,000 to mount a fully instrumented firing and analyse high-speed photographic and digital data.

Historically, the behaviour of reinforced concrete under violent impact has proved difficult to model in the computer. But data from impact tests of this kind has given Winfrith a model that is winning attention in the oil industry, for example to investigate the response of large offshore storage vessels exposed to an explosion, or of sub-sea equipment involved in a collision.

Winfrith has designed a facility that it claims simulates normal – and blow-out – conditions at the well head of an offshore oil well. The approach is to use a highly instrumented "gun barrel" in which the full temperatures, pressures and flow rates of a production borehole can be established.

The proposed well and pipeline test facility will cost about £5m to build, says Terry Butland, who oversees safety studies at Winfrith. He is trying to organise a group of oil companies to share the cost of an experimental programme.

Another test can be mounted in the reactor safety test compound where temperatures in excess of 3,000 deg C can be raised – high enough to boil the ceramic fuel of a reactor. The vigorous chemistry of a thermite reaction is used to create "meltdown" conditions inside a steel pressure vessel.

The reaction is exothermic – one which releases heat, typically when a powdered pyrophoric metal reacts with an oxidising agent. Metallic uranium powder and molybdenum oxide, for example, will combine almost explosively to raise a fireball as hot as 3,600 deg C. The 25kg charges of thermite powder are mixed in 1kg batches and assembled into the full charge by remote handling inside a thick concrete cell.

Using such charges to fuse fuel and reactor assemblies, the scientists can produce fluids similar to lava. They react with water to simulate the conditions of a steam explosion inside a reactor. Or they can show how lava might eat its way through a reactor core and create explosive conditions.

Winfrith scientists have facilities for creating the kind of inferno needed for compliance testing of radioactive materials, such as spent nuclear fuel and plutonium. They determine whether the materials meet international rules for safe transport.

Winfrith must ensure that the nuclear goods survive a journey unharmed. This means that they must understand the behaviour of fire, how it spreads and how thick the flames are. "We're into designer fires," says Chris Fry, responsible for marketing their fire facilities. They must maintain their fire conditions constant for as long as 60 minutes to demonstrate the integrity of a plutonium transport container.

They combine large-scale fire experiments with a computer model – the one used by Harwell to model the King's Cross underground fire. They have an open-air concrete pool measuring 9.5m by 6.5m, which they fill with fire by igniting a layer of kerosene floating on water. Engineering structures weighing up to 100 tonnes can be engulfed in flames at up to 1,200 deg C.

Real fires are very unstable and tend to create their own weather conditions, says Fry, but Winfrith has learnt to stabilise fires with screens.

British Petroleum is among the organisations which have asked to use Winfrith's pool fire test facility for training fire fighters.

They will enjoy the fruits of our research.

The year 2010 may seem far off. But there is one prophecy we can make right now: energy economy, transportation, and environmental protection issues will be no less important than they are today.

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ASEA BROWN BOVERI

Export controls extended by 9 big tin producers

NINE main tin producers have agreed to extend export controls to December 1990 in a joint effort to prevent a possible glut of the metal next year, Reuters reports from Bangok.

The Association of Tin Producing Countries (ATPC), together with non-members Brazil and China, said after a ministerial meeting here that the tin industry could face oversupply if producers end three-year-old export restraints next February.

ATPC's senior officials will meet in Kuala Lumpur next January to fix new quotas for the March/December period. Total exports are currently limited to 106,400 tonnes for the year to end-February 1990.

Delegates to the annual meeting said world tin stocks could increase from 25,200 to 37,200 tonnes in 1990 in the absence of supply and export controls, and if Brazil started to produce tin from its rich deposits in the Amazon's Surucucus region.

ATPC, grouping Australia, Bolivia, Indonesia, Malaysia, Nigeria, Thailand and Zaire, puts world tin stocks at end August at 31,700 tonnes, about two-months worth of world consumption.

The group said global stocks fell more slowly than it had hoped during the first half of its current supply year. World stocks dropped only 1,700 tonnes during March/August against the 4,000-tonne target.

Tin producers estimate that world stocks will fall to about 30,400 tonnes at end-February next year, above the previously targeted 25,400 tonnes.

Brazil's Minister of Mines and Energy Vicente Fialho told reporters his country will take another two years to consider whether to join ATPC. Brazil's 44,020-tonne output last year amounted to 28.5 per cent of world supply.

The membership of Brazil, the world's biggest producer, and China would raise the group's control of world supply to 90 per cent from the current 55 per cent.

Canadian copper mine strike may soon be over

By David Owen, in Toronto

A STRIKE which has shut down the huge Highland Valley open pit copper mine in the rugged British Columbia hinterland for 13 weeks may soon be over.

A tentative settlement has been reached between management and representatives of the United Steelworkers of America union.

The mine's 1,260 unionised workers will be asked to vote on the proposed two-year contract tomorrow. The package includes wage and benefit increases of up to 25 per cent over the contract's lifetime, according to a union spokesman.

The two sides had earlier reached agreement on another specific grievance – the contracting out of work to non-union labour. According to the union, the new agreement will mean that no employee will be displaced or laid off as a result of the practice.

If the settlement is duly ratified as envisaged, the stoppage will have cost Highland Valley some 45,000 tonnes in contained copper output – approximately a quarter of annual production.

No shipments have been made over the strike's duration, according to a company spokesman.

WEEKLY METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,800-1,850 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 4.65-4.95 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 5.40-5.85 (5.50-6.00).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.45-7.65 (7.45-7.60).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 230-240 (225-240).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.15-3.22 (3.20-3.25).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.50-5.90 (5.20-5.75).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 46-61 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 3.65-3.90 (3.95-4.10).

URANIUM: Nuexco exchange value, $ per lb, UO, 9.60 (same).

Commission to challenge fishing fleet laws

By Tim Dickson, in Brussels

THE European Commission is about to mount an all-out challenge against member state legislation that provides protection for domestic fishing fleets.

The move – likely to be confirmed in Brussels today – follows last week's controversial order from the European Court of Justice asking Britain to suspend the "nationality requirements" in a key section of the 1988 Merchant Shipping Act.

Those requirements – said by the court to be in breach of the Treaty of Rome – were designed to outlaw "quota hopping," the practice whereby mainly Spanish fishing vessels have been registering as British boats to take advantage of the UK's share of quotas under the Common Fisheries Policy.

The Commission has long been aware – and London has not been slow recently to point out – that other EC countries have national laws which equally clearly link the flag of a ship and the nationality of its owners.

Recent discussions within the Commission about challenging them, however, have often proved turbulent. Mr Manuel Marin, the EC's Fisheries Commissioner, has on occasions been accused of dragging his feet.

It is understood that detailed evidence has now been assembled and that today's Commission meeting will almost certainly agree to send formal letters to Belgium, Denmark, Germany, Spain, France and Ireland notifying them that Brussels intends to open legal proceedings under Article 169 of the Rome Treaty. The situation with regard to Greece, Italy, the Netherlands and Portugal is still under consideration.

The precise legislation (and alleged offence) in each member state is different but as with the British case the Commission believes that the right of establishment across the EC, the freedom to provide services, and the freedom to participate in the shares of companies in other countries is being denied.

In each case, one senior official stressed last night, Brussels is limiting its action to the rules for fishing vessels even though most of the laws in question also apply to merchant shipping.

The significance of the forthcoming challenge is that it further throws into question the future of the Common Fisheries Policy, which since its inception has been based on the clear principle of national quotas.

Zambia realises its future lies in the ground

Nicholas Woodsworth on an African country's efforts to boost its agricultural sector

AMONG OVERLAND travellers making their way down the African continent, the letters "MMBZ" are a well-known abbreviation. They stand for "Miles and Miles of Boring Zambia," and are used disparagingly after days of driving through huge expanses of Zambia's flat and pear-empty bushland.

Seeing almost nothing of the fields, villages, and rural activities that provide much of the attraction of an African journey, these travellers breathe a sigh of relief when they finish with MMBZ and cross the border into Malawi or Zimbabwe.

Boring they may be, but Zambia's vast and empty spaces offer opportunities that no longer exist in the highly populated and agriculturally over-exploited countrysides of Malawi and Zimbabwe. Today Zambia's population stands at just 7 million, and only 6 per cent of its 24m hectares of arable land are cultivated.

With fertile soils, adequate and reliable rainfall, and a climate in which almost all tropical and temperate crops can be grown, Zambia offers agricultural possibilities as great as those of any country on the continent.

For most of the 25 years since its independence, however, this potential has been virtually ignored. Counting on copper deposits that continue to earn more than 90 per cent of its foreign exchange receipts, the Zambian government established a welfare-style, state-controlled economy, based not on productive investment but on subsidised consumption.

Artificially low exchange rates encouraged cheap consumer imports, while locally produced food was offered to city dwellers at heavily subsidised prices – to ensure an inexpensive source of agricultural staples, the Government established low, fixed farm prices.

Limited by an inefficient state marketing system without incentives, neither Zambia's small, white-dominated commercial farming sector nor its peasant farmers were encouraged to increase production – many of the latter left the land.

Between 1984 and 1987, agriculture contributed an annual average of only 16 per cent to GDP, although it involved half the population, and was responsible for just 2 per cent of foreign exchange earnings.

With the other half of its population now living in cities, Zambia remains the most highly urbanised country in Africa. The instability of the world copper market, a foreign debt that has grown to US$7bn, and the realisation that copper resources will run out by the end of the century have all forced Zambia to see that farming is its best hope for the future.

The need for food self-sufficiency, higher employment, and foreign exchange earnings now make agricultural development a high priority. Its new status is reflected in several recent far-reaching policy reforms, designed to liberalise the Zambian economy.

The most important of these for agriculture has been a dramatic increase in producer prices, a move intended to stimulate the production of existing farmers and reverse urban drift.

Although the price of Zambia's staple food, maize (70 per cent grown by small-scale farmers) is still controlled, consumer subsidies are being lifted and its producer price has risen by more than 125 per cent in the last year.

Small farmers grow 70 per cent of Zambia's maize

All other agricultural producer prices have been decontrolled, and floor prices raised by at least 100 per cent.

Continuing shortages, however, have pushed consumer prices much higher, and wheat, for example, is selling for twice its floor price. Receiving four times as much as they did last year for wheat, commercial farmers, who produce 90 per cent of Zambia's "exotic" produce such as coffee, soya beans and dairy items, are for the first time finding real price incentives for production.

Another significant measure encouraging agriculture has been a series of devaluations taking the value of local currency from 8 to 17.5 kwacha to the dollar in the last 10 months. This will encourage import substitution and promote non-traditional exports like sugar, cotton, cashews and tobacco.

In the last year sales of Zambian fruits, vegetables and flowers to the European and South African markets have doubled to US$4.6m.

Mr John Hudson, director of the national agricultural lobby, the Commercial Farmer's Bureau, is pleased with recent progress. He notes that half of his 1,500 members are now "emergent" black farmers who have shifted from peasant to small-scale commercial farming techniques.

He also praises current agricultural financial incentives, which include a 50 per cent foreign exchange retention right on exports, the right to remit 12.5 per cent of net profits overseas, a maximum tax rate of 15 per cent, rapid write-offs on farm improvements and machinery, and an incentive of 50 US cents per bag on sales of maize, soya and wheat above a stipulated minimum.

Mr Hudson points out, however, that Zambian agriculture still has a long way to go. The full potential of agricultural exports will not be realised, he says, until the kwacha is further devalued to attain a realistic exchange rate.

While the agricultural sector now receives 13 per cent of total government allocations of foreign exchange compared to 7 per cent 2 years ago, hard currency shortages have also seriously limited the purchase of farm machinery, spare parts, and agro-chemicals. In the last three years over 50 commercial farms have been expropriated by the Government for its own purposes, often to little result.

Investor confidence subsequently remains low, and is impeded by a farm-lease system through which the state retains ownership of the land. If the price of maize were decontrolled and its marketing privatised like other crops, Mr Hudson maintains, Zambia could be a large agricultural exporter to southern Africa.

"Smugglers are showing the way," he says. "Maize sold in Zaire fetches 8 times as much as it does at home." Lifting controls on maize remains a politically sensitive question, but Mr Hudson is convinced that given the opportunity to market maize privately over the borders, Zambian farmers would increase production so significantly that controls would become unnecessary.

"Recent policy changes are in the right direction," says Mr Hudson, "but they do not go far enough." Until they do, Zambia's most promising sector must wait its time.

Soviet deputy calls for disbanding of state farms

By Nancy Dunne, in Washington

MR VOLODYMYR Yavorivsky, a Ukrainian member of the Soviet Congress of Peoples' Deputies who toured the US last week, is recommending the disbanding of Soviet collective farms.

The collectives have been unable to produce enough to feed the country's population on land that was once considered the "Breadbasket of Europe."

"All the progressive forces which exist in Ukrainian society today want as soon as possible to disband these farms and parcel out the land to the peasants," Mr Yavorivsky said.

He warned that although there is no economically viable alternative, the Communist Party apparatus is opposed to land reform because it would reduce farmer dependency on the party.

Mr Yavorivsky's trip to the US was sponsored by New Jersey Democrats, Congressman Bill Florio and Senator Bill Bradley, who frequently warns of unsound investments in the Soviet Union by "romantic capitalists."

A writer and a leader of the Rukh, the Ukrainian popular front, Mr Yavorivsky is among the intellectuals who have met Vladimir Ivashko, the new Communist Party leader of the Ukraine.

The deputy has described Mr Ivashko as "a reasonable man" and he predicted that land and political reforms would allow the fertile Ukraine to produce enough to feed half the world and stop Moscow having to "bring bread from America."

He said more than half of the collective farms are unprofitable. "They are not feeding the people, and the state has to feed the farmers."

Mr Yavorivsky said Ukrainian peasants had been given land during the 1920s, and those who worked hard became wealthy "rather quickly." However, those who did not want to work "became poor proletarians." Then Joseph Stalin deported the successful farmers to Siberia.

"The proletarians then joined the party and became ministers," he said. Soviet peasants might now fear to take land free because – without political guarantees – they fear deportation. Mr Yavorivsky said he intends to enact such guarantees into law.

The deputy related several stories about farmers who worked hard but were cheated out of their just rewards by the Community Party. It should not even call itself the Communist Party any more because "Communism today is a fairy tale." He prefers the term Socialist.

Mr Yavorivsky stressed the hunger of Ukrainians – forced to spend one third of their lives standing in lines and looking at mostly empty shelves. He said one of the biggest problems is Moscow's ambition to build the largest of everything, referring to a dam which is the longest in the world but unneeded and rusting.

Another problem has been the centralisation of decision-making in Moscow. One consequence was the attempt to boost cotton production in some of the republics by creating a monoculture – the same land was planted to cotton each year regardless of the fertiliser and chemicals used.

The results were the "total spoilage of the fertility of the land and chemical effects on the wears of cotton."

'No sign' of end to coffee dispute

By David Blackwell

THE DIFFERENCES between coffee producers and consumers show no sign of being resolved, making a new international coffee agreement unlikely before 1991, according to E.D.&F. Man, the London trade house.

In its latest monthly report, Man points out the lack of schedule and urgency following last month's annual meeting of the International Coffee Organisation in London.

The longer the agreement remains in cold storage, the more apparent will be the damage to some producing countries from low prices, and all will become more motivated towards a solution, says the report. However, as time passes the details of outstanding problems will blur and the complexity of re-introducing export quotas will increase.

WORLD COMMODITIES PRICES

LONDON MARKETS

LEAD prices recovered on the LME yesterday after Monday's sharp fall. Cash metal added £15.25 to £489.25 a tonne – ahead of Friday's eight-year high of £487.50 a tonne. The demand for cash metal widened its premium over three-month to £14.75 a tonne compared with £9.75 on Monday. Relatively low LME stocks and prospective tightness of fourth quarter supplies continued to underpin the market, traders said. Copper prices lost further ground yesterday as early gains were wiped out by sympathy with Comex. Many traders said copper retained a steady undertone, based on fundamentals, but most players appear inclined to stay on the sidelines and wait for signs of more settled conditions on world stock markets before taking up fresh positions. News that the Highland Valley dispute is all but over was discounted.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$16.30-6.35w	-.025
Brent Blend	$19.60-9.70q	+.175
W.T.I. (1 pm est)	$20.75-0.80q	+0.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$209-210	-½
Gas Oil	$189-190	+3
Heavy Fuel Oil	$104-106	+2
Naphtha	$152-155	+½
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$367.5	+0.5
Silver (per troy oz)♣	512c	-1
Platinum (per troy oz)	$494.75	-4.25
Palladium (per troy oz)	$136.00	-2.75
Aluminium (free market)	$1875	+15
Copper (US Producer)	138⅝-141c	-1
Lead (US Producer)	40.5c	
Nickel (free market)	480c	+5
Tin (Kuala Lumpur market)	21.71r	-0.01
Tin (New York)	376.5c	-3.0
Zinc (US Prime Western)	80¼c	
Cattle (live weight)†	113.89p	
Sheep (dead weight)†	162.56p	
Pigs (live weight)†	105.35p	
London daily sugar (raw)	$354v	+1
London daily sugar (white)	$396v	+1
Tate and Lyle export price	£340.5	+2.0
Barley (English feed)	£112.25x	-0.25
Maize (US No. 3 yellow)	£124.50	+0.25
Wheat (US Dark Northern)	£123.75	+0.25
Rubber (spot)♥	56.50p	+0.25
Rubber (Nov)♥	59.25p	+0.25
Rubber (Dec)♥	60.00p	+0.25
Rubber (KL RSS No 1 Nov)	219.5m	
Coconut oil (Philippines)§	$477.5y	+2.5
Palm Oil (Malaysian)§	$317.5	+2.5
Copra (Philippines)§	$310q	
Soyabeans (US)	£162q	-1
Cotton "A" index	82.60c	-0.15
Wooltops (64s Super)	605p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Jan/Mar. v-Nov/Dec. w-Dec. q-Nov. z-Jan/Feb†Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	742	727	742 727
Mar	719	713	720 710
May	729	722	729 721
Jul	744	737	743 738
Sep	760	752	757 751
Dec	788	777	787 777
Mar	810	800	810 800

Turnover: 2742 (8823) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 16 820.93 (838.90) :10 day average for Oct 17 842.69 (844.33)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	710	717	720 705
Jan	678	674	687 670
Mar	686	688	695 680
May	697	700	708 695
Jul	718	715	722 714
Sep	740	735	730
Nov	760	753	754

Turnover: 2901 (3292) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 16: Comp. daily 60.39 (60.26). 15 day average 63.02 (63.52)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	318.20	315.80	311.00
Mar	314.00	311.00	315.80 309.00
May	308.80	305.80	310.40 304.20
Aug	303.40	300.00	304.00 300.00
Oct	293.40	290.60	292.20 291.00
Dec	295.00	288.00	
White	**Close**	**Previous**	**High/Low**
Dec	388.50	388.00	388.00 385.00
Mar	387.50	388.00	388.50 387.00
May	387.00	389.00	388.00 387.00
Aug	389.00	396.00	396.00 393.00
Oct	374.00	376.00	
Dec	368.00	370.00	
Mar	367.00	367.00	

Turnover: Raw 2147 (3852)lots of 50 tonnes. White 402 (669)
Paris- White (FFr per tonne): Dec 2470, Mar 2477, May 2485, Aug 2570, Oct 2450, Dec 2365.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Dec	18.98	18.81	19.03 18.89
Jan	18.54	18.45	18.64 18.52
Feb	18.30	18.20	18.32 18.30
Mar	18.10	18.01	18.12 18.10
IPE Index	18.66	18.91	

Turnover: 9573 (10442)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Nov	189.25	180.25	184.50 180.75
Dec	179.75	177.00	181.25 178.00
Jan	176.75	174.00	178.00 175.00
Feb	172.50	169.25	173.50 172.00
Mar	168.00	165.50	168.00 167.50
Apr	165.50	162.50	165.00 164.50
May	162.00	162.00	
Jun	159.00	161.00	161.00 160.00

Turnover 14952 (15189)lots of 100 tonnes

COTTON
Liverpool- Spot and shipment sales for the week ended 13 October amounted to 357 tonnes against 1322 tonnes in the previous week. Trading was of a fairly high quality with various countries involved in sales including Israeli, West African and Mexican.

JUTE
C and f Dundee; BTC $500, BWC $500, BTD $460, BWD $460, c and f Antwerp; BTC $475, BWC $475, BTD $445, BWD $435.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 18,925 tonne
Cash	1840-50	1860-5		1875-8		
3 months	1775-80	1785-6	1815/1770	1800-5	1790-800	35,423 lots
Copper, Grade A (£ per tonne)						Ring turnover 27,675 tonne
Cash	1835-8	1841-3	1875/1874	1874-5		
3 months	1817-8	1825-8	1850/1807	1852-4	1811-2	72,574 lots
Lead (£ per tonne)						Ring turnover 8,425 tonne
Cash	489-9.5	473-5	489.5/482	487-8		
3 months	474-5	464.5-5	474/467	473-5.5	470-2	12,942 lots
Nickel ($ per tonne)						Ring turnover 1,320 tonne
Cash	10400-25	10350-400	10400	10350-400		
3 months	10100-25	10075-175	10150/10100	10140-50	10100-25	6,319 lots
Tin ($ per tonne)						Ring turnover 880 tonne
Cash	8180-200	8230-50	8180/8170	8165-70		
3 months	8200-20	8280-90	8210/8200	8200-10	8200-30	5,795 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 13,100 tonne
Cash	1665-75	1680-2	1685/1688	1687-8		
3 months	1605-10	1662-3	1680/1655	1673-5	1655-60	13,910 lots
Zinc ($ per tonne)						Ring turnover 1,000 tonne
Cash	1615-20	1600-10	1630	1610-20		
3 months	1600-5	1585-95	1605	1605-10	1590-5	5,665 lots

LME Closing £/$ rate: SPOT: 1.5830 3 months: 1.5680 6 months: 1.5349 9 months: 1.5152

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Nov	132.0	127.0	127.0 125.0
Feb	163.0		159.0
Apr	202.4	202.0	202.5 199.0
May	230.0	228.0	228.0

Turnover 320 (335) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Feb	143.00	143.60	
Apr	141.50	141.50	141.50

Turnover 25 (16)lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Oct	1544	1537	1544 1532
Nov	1609	1607	1615 1595
Jan	1624	1623	1630 1610
Apr	1648	1648	1655 1640
Jul	1410	1405	1410
BFI	1516	1509	

Turnover 325 (212)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Nov	108.70	108.35	109.10 108.70
Jan	113.05	112.50	113.40 112.90
Mar	116.60	117.00	116.80 116.40
May	119.55	120.15	119.90 119.55
Jun	121.00	121.55	121.20 120.85
Barley	**Close**	**Previous**	**High/Low**
Nov	107.00	107.30	107.10 107.00
Jan	110.75	111.15	110.85 110.75
Mar	114.00	114.30	114.10 114.00
May	115.85	115.85	

Turnover: Wheat 365 (505), Barley 66 (57).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	133.0	134.0	
Nov	135.0	135.0	
Apr	124.0		122.0
Jun	119.5	120.5	119.0
Aug	115.5	115.5	115.0

Turnover 11 (25) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	367¼-367¾	232-232½
Opening	366-366½	231½-232
Morning fix	366.85	231.082
Afternoon fix	366.65	232.248
Day's high	367¼-367¾	
Day's low	365¾-366	
Coins	**$ price**	**£ equivalent**
Mapleleaf	377-382	238-241
Britannia	377-382	238-241
US Eagle	377-382	238-241
Angel	378-381	237½-240½
Krugerrand	367-370	232-234
New Sov.	85½-87½	54-55½
Old Sov.	85½-87½	54½-55½
Noble Plat	490.65-498.55	309.50-314.40
Silver fix	**p/fine oz**	**US cts equiv**
Spot	322.60	508.75
3 months	334.70	519.80
6 months	346.45	530.10
12 months	369.60	551.55

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1700	147	119	3	41
1800	57	66	22	86
1900	20	33	76	159
Copper (Grade A)	**Calls**		**Puts**	
2500	142	159	33	114
2600	82	112	72	165
3000	42	77	131	228
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
650	60	57	2	31
700	17	38	9	6
750	1	23	43	97
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	74	61	32	42
750	43	39	53	70
800	24	22	82	
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
1800		89	11	35
1850	67	39	21	56
1900	37	37	39	

US MARKETS

In the metals, gold, silver and platinum featured consolidation after their recent volatile days, reports Drexel Burnham Lambert. Copper rose 85 basis December in mostly local action. In the softs, commission house buying lifted sugar prices. Speculative buying helped both cocoa and coffee markets advance. Most of the grains closed higher led by strong gains in the soy complex. Heavy commercial buying and possible Russian tender business was noted. November soybeans gained 81/2 cents. Corn also rose on Chinese tender activity. Wheat trading was less active. The livestock markets rebounded after Mondays heavy declines. Short covering and higher cash prices provided the support. Trade selling pressured the cotton market. The energy complex was higher from scattered buying. Lack of fresh news and nervous stock market conditions prevented further gains from occuring.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	367.4	367.5	367.5	365.8
Nov	369.2	369.2	0	0
Dec	371.2	371.2	372.8	370.2
Feb	375.2	375.2	376.0	374.1
Apr	379.3	379.3	380.0	378.2
Jun	383.5	383.4	384.5	383.0
Aug	387.5	387.4	387.9	387.5
Oct	391.5	391.5	392.0	392.0
Dec	395.1	395.5	395.5	395.3

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	485.2	485.7	484.1	484.0
Jan	491.2	492.2	492.5	490.0
Apr	495.0	496.2	498.0	494.0
Jul	499.0	500.0	499.5	499.0
Oct	503.0	504.5	502.7	502.7

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	510.2	510.4	0	0
Nov	513.0	513.4	0	0
Dec	515.8	516.3	519.5	514.5
Jan	518.7	519.2	0	0
Mar	526.4	527.5	531.0	526.0
May	534.2	534.8	537.0	535.0
Jul	541.7	542.4	544.5	543.0
Sep	549.4	550.1	550.5	550.0
Dec	560.7	561.4	561.5	561.0
Jan	564.4	565.1	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	129.30	129.10	129.50	129.10
Nov	128.80	128.20	0	0
Dec	128.30	127.45	129.80	127.10

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	20.82	20.59	20.87	20.62
Dec	20.53	20.31	20.56	20.40
Jan	20.25	19.98	20.23	20.11
Feb	20.02	19.74	20.02	19.90
Mar	19.83	19.55	19.83	19.71
Apr	19.62	19.39	19.66	19.56
May	19.42	19.23	19.49	19.40
Jun	19.26	19.07	19.35	19.25
Jul	19.08	18.76	19.08	19.00

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	6115	6042	6160	6080
Dec	6170	6090	6185	6130
Jan	6120	6040	6130	6085
Feb	5905	5850	6000	5935
Mar	5720	5670	5750	5710
Apr	5505	5455	5520	5495
May	5305	5255	5320	5305
Jun	5190	5135	5205	5180
Jul	5150	5095	5165	5160
Aug	5200	5135	5200	5200

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1002	986	1006	990
Mar	1013	995	1018	998
May	1030	1010	1030	1015
Jul	1044	1033	1045	1042
Sep	1060	1050	1056	1056
Dec	1085	1074	1085	1079
Mar	1107	1096	1110	1096

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	71.15	70.42	72.40	70.75
Mar	74.28	72.80	75.10	73.60
May	75.25	74.50	76.10	75.00
Jul	77.25	77.05	78.10	77.00
Sep	79.25	79.25	80.49	79.25
Dec	81.75	82.00	83.00	83.00
Mar	84.00	84.80	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	14.14	14.00	0	0
Mar	14.11	13.97	14.24	13.99
May	13.81	13.71	13.97	13.64
Jul	13.68	13.51	13.77	13.44
Oct	13.37	13.18	13.34	13.04
Mar	12.90	12.78	12.83	12.75

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	72.90	74.45	74.41	72.76
Mar	74.38	75.87	75.78	74.30
May	74.95	76.25	76.38	75.00
Jul	75.10	76.00	76.20	75.05
Oct	68.90	69.70	69.95	68.50
Dec	66.60	66.70	66.85	66.47

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	129.20	131.60	131.60	129.10
Jan	125.55	128.90	128.50	125.20
Mar	125.35	128.50	128.00	125.00
May	126.00	129.00	128.80	125.60
Jul	126.35	129.00	129.00	127.30
Sep	126.85	129.00	129.25	129.00
Nov	126.85	129.10	0	0
Mar	126.85	129.10	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 18	Oct 13	mnth ago	yr ago
1868.5	1878.4	1901.3	1870.5

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	130.16	129.25	129.58	134.49
Futures	129.72	129.57	130.24	139.93

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	555/4	547/0	559/4	550/0
Jan	566/0	558/4	570/4	562/2
Mar	578/4	571/0	582/0	573/4
May	587/2	580/4	590/0	583/4
Jul	592/4	586/0	595/0	589/0
Aug	590/4	585/4	593/0	589/0
Sep	573/2	571/0	577/0	573/0
Nov	570/4	570/4	578/0	570/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	18.26	18.07	18.27	18.15
Dec	18.57	18.40	18.64	18.46
Jan	18.89	18.62	18.96	18.69
Mar	19.21	19.04	19.25	19.12
May	19.50	19.30	19.62	19.50
Jul	19.87	19.41	19.92	19.85
Aug	20.00	19.87	20.05	20.00
Sep	20.10	20.00	20.15	20.10

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	188.0	184.6	188.5	185.5
Dec	182.6	178.7	182.9	179.6
Jan	180.4	177.8	181.4	177.8
Mar	179.2	176.6	180.0	177.0
May	177.7	175.6	178.5	176.2
Jul	176.7	175.6	178.5	176.5
Aug	176.5	174.8	176.0	176.0
Sep	174.8	173.2	177.5	174.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	238/6	236/2	239/2	237/0
Mar	243/6	242/2	244/4	242/2
May	247/6	246/4	248/2	246/4
Jul	249/4	248/4	249/4	248/2
Sep	241/6	241/2	242/0	241/2
Dec	237/4	237/2	238/0	237/2
Mar	245/4	245/0	245/4	245/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	409/4	410/6	411/0	409/4
Mar	407/4	407/6	409/0	406/4
May	388/4	388/6	390/0	388/4
Jul	358/2	357/2	357/4	356/4
Sep	360/4	361/0	361/4	359/0
Dec	378/0	378/0	374/0	372/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	73.67	73.35	73.82	73.35
Dec	75.10	74.17	75.20	74.40
Feb	74.75	74.27	74.80	74.00
Apr	74.92	74.47	74.95	74.40
Jun	72.07	71.80	72.12	71.55
Aug	70.35	70.00	70.35	70.25

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	48.00	47.37	48.00	46.80
Dec	46.12	45.40	46.22	45.25
Feb	45.60	45.00	45.72	44.87
Apr	43.00	42.80	43.22	42.52
Jun	47.55	47.32	47.65	47.05
Jul	47.70	47.67	47.75	47.00
Aug	46.65	46.20	46.70	46.25
Oct	42.80	42.85	42.80	42.52

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	52.52	50.62	52.60	50.25
Mar	52.15	50.55	52.35	50.20
May	52.25	50.55	52.60	50.60
Jul	51.67	50.15	52.10	50.15
Aug	49.60	48.20	50.15	48.57

LONDON STOCK EXCHANGE

Further setback in erratic trading

AN ERRATIC trading session in UK equities yesterday saw the London market tracking Wall Street closely to end the day with another hefty setback after New York reacted sharply to the latest US monthly trade figures. Trading remained very nervous with the Footsie futures contract again taking the lead in setting trends for the underlying equity sector.

The stock market had another very active session, although Seaq volume dipped to 569.2m shares from the 959.3m of Monday's dramatic session; official Stock Exchange data released yesterday showed that equity business by genuine retail investors jumped to £1.7bn on Monday, nearly twice the daily average for the previous five trading sessions.

London opened higher on the back of Wall Street's overnight gain of 88 points, but the early support soon proved little more than bear closing by market makers needing stock to meet selling commitments. Equity sentiment remains fundamentally bearish in London as the securities houses brace themselves for further tests of confidence. Tomorrow brings what is expected to be an important policy speech at London's Mansion House by Mr Nigel Lawson, the UK Chancellor of the Exchequer, and the latest UK monthly trade figures are due next week.

However, it was the trade figures from across the Atlantic which undermined London yesterday. The deficit of $10.77bn on US trade for August was substantially larger than expected by UK analysts and alerted the market to the likelihood of a weak opening on Wall Street.

The December contract on the Footsie quickly turned from a premium to a discount and the FT-SE Index itself followed suit. The index was 42 points down before losses were significantly trimmed at the close on speculation that the US authorities planned to cut the Federal discount rate. At its final reading of 2,135.5, the FT-SE Index was a net 27.9 points down on the day, representing a total loss of 98.4 points so far this week.

"This week's performance shows that London is still the market most closely linked to Wall Street", commented Mr Bill Smith of Prudential-Bache: "We followed it almost minute by minute". His view was supported by the substantial losses in London stocks most closely associated with US investors. Reuters, the global communications group, and Racal Electronics were prominent in the list of casualties.

Prudential-Bache pointed out yesterday that according to figures compiled by the US Treasury, US investor's increased net purchases of UK stocks by $2.7bn to $3.3bn over the second quarter of this year, contrasting with substantial disinvestment in Japanese stocks by US investors.

Account Dealing Dates

*First Dealings:	Oct 2	Oct 16	Oct 30
Option Declarations:	Oct 12	Oct 26	Nov 9
Last Dealings:	Oct 13	Oct 27	Nov 10
Account Day:	Oct 23	Nov 6	Nov 20

*New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Oct 17	Oct 16	Oct 13	Oct 12	Oct 11	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.78	85.27	85.79	85.67	85.83	86.21	89.29 (9/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.37	93.77	94.05	93.89	94.23	97.52	98.59 (15/3)	93.37 (17/10)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1730.7	1760.3	1818.0	1817.7	1797.3	1509.5	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	192.5	184.9	204.7	204.8	206.2	176.4	215.2 (28/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2135.5	2163.4	2233.9	2257.8	2218.8	1857.0	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.72	4.65	4.51	4.50	4.54	4.59				
Earning Yld %(full)	11.35	11.16	10.85	10.83	10.93	11.58				
P/E Ratio(Net)(x)	10.64	10.78	11.11	11.13	11.03	10.46				
SEAQ Bargains(5pm)	38,623	57,410	28,312	23,431	30,419	25,163				
Equity Turnover(£m)†	-	1457.57	853.70	832.21	1212.52	1175.46				
Equity Bargains†	-	40,916	23,515	24,313	30,230	28,159				
Shares Traded (ml)†	-	680.5	413.9	365.1	444.5	463.1				

Ordinary Share Index, Hourly changes — Day's High 1770.4 — Day's Low 1721.7

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1759.2	1758.3	1748.2	1750.3	1752.5	1735.4	1733.9	1737.3

FT-SE, Hourly changes — Day's High 2182.3 — Day's Low 2128.8

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2175.9	2163.9	2150.7	2154.6	2158.5	2128.4	2134.2	2139.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. ≠ Nil 10.56

GILT EDGED ACTIVITY

Indices	Oct 16	Oct 13
Gilt Edged Bargains	120.9	81.9
5-Day average	101.4	90.9

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Values and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request. London report and latest Share Index: Tel. 0898 123001.

Change of pace on Amstrad

Preliminary results from Amstrad, the electronics group run by Mr Alan Sugar, were given a good initial reception by the market, but the picture quickly changed as the session wore on. The Amstrad share price was firmly in reverse at the end of the day as analysts slashed their forecasts for the current year.

Amstrad's full-year profits came in more than halved at £76.5m, compared with last time's £160.4m; the current figure, affected by a £15m stock provision, was regarded by some specialists as better than the most pessimistic forecasts.

The figures were accompanied by a statement from Mr Sugar outlining his intention of increasing his present 44 per cent holding in Amstrad to over 50 per cent, plus details of new product lines, including *the launch of a new range of* high specification colour televisions.

Following a post-results meeting with the board, analysts returned to the City to *cut back sharply their forecasts* for the current year. Mr Ian Macleod at County NatWest moved down to £35m for the year and said: "Amstrad is faced with the need to de-stock in a flat market and this will leave them vulnerable; I think the shares will remain dull for another six months."

Mr Paul Norris at BZW dropped his forecast even further, to £25m, and said Amstrad seeking to reduce its inventory of stocks *is* liable to see "gross margin erosion" and "is at the mercy of market conditions. We stick with our sell recommendation."

Amstrad shares, pushed up to 58p immediately after the figures, subsequently dipped back sharply to end the day a net 4 down at 47p with turnover expanding rapidly to 16m shares.

Whitbread active

A late strong advance in Whitbread shares produced a babel of unconvincing explanations which were largely discounted by marketmakers and dealers who saw the rise as merely the natural outcome of a stock shortage.

There were suggestions that Scottish & Newcastle or US brewing giant Anhauser Busch might be buying Whitbread's brewing business or spirit brands such as Long John or Beefeater Gin.

This last suggestion is given more credibility by analysts, although Whitbread is now understood to have completed the purchase of a chain of US restaurants – a move which had sparked suggestions of an early sell-off to satisfy US laws on the sale and distribution of liquor. These laws do not apply in the states where Whitbread's restaurants operate.

Attention may also have been drawn to Whitbread by Boddington's extraordinary meeting to approve the sale of the latter's brewing business to the former.

In the final hour of trade, Whitbread "A" shares reversed a decline of 2 to close 17 better on the day at 368p.

Asda downgrade

Asda slipped 14 to 137p on turnover of 8.5m shares as a number of houses downgraded their profit forecasts. Goldman Sachs reduced its earnings estimates for this year to £209m from £241m. This follows the downgrading on Monday by Asda's brokers for this year to £210m from £241m and to £255-265m from £280m for next year.

Mr Keith Wills of Goldman Sachs said the inability to convert the recently purchased 61 Gateway stores into Asda stores before the busy Christmas period had been partly responsible for the downgrading. He said the £15m savings which would have resulted *from the conversion would* now be delayed until the new year. Furthermore, Asda's non-food businesses had been adversely affected by the high level of interest rates.

There was a reversal of performances in the clearing banks where Midland – the worst performer on Monday – jumped 9 to 327p on turnover of 1.9m as speculators resurrected stories that a closer tie-up with Hong Kong & Shanghai Bank was imminent.

"The recent upturn in the gilt-edged market, coupled with hopes that interest rates may well fall in the event of further *severe pressure on UK* equity markets, triggered steep rises in the discount houses. Gerrard & National jumped 20 to 260p, Cater Allen 17 to 360p and King & Shaxson moved up *8 to* 126p. Union Discount, where Sir Ron Brierley's IEP recently increased its holding to around 28 per cent, added 10 at 530p.

Merchant banks moved up amid market stories that some securities houses may have emerged relatively unscathed from the mauling sustained by share prices in the past couple of trading sessions. Morgan Grenfell, after some board changes, advanced 20 to 392p, while SG Warburg leapt 22 to 400p.

Refuge stood out in the life assurance arena. The shares moving up strongly to close 23 higher at 568p, after 569p, in a belated response to news that Athena has raised its holding to 9.34 per cent. Britannic, which has a 10 per cent stake in Refuge (Refuge holds 7.3 per cent of Britannic), added 8 at 488p. Pearl were 4 higher at 523p ahead of the offer document expected on Friday.

The building areas of the market gave another good display - they've been under pressure for a lot longer than other parts of the market and most of the selling had already been done," said one trader. Anglia Secure Homes jumped 10 to 94p with dealers saying the shares have been hit too hard. Vibroplant rallied 15 to 164p; "tightly held and oversold," explained a dealer. Ashtead shot up 20 to 262p after the chairman's confident statement at the annual meeting.

A single selling order for *Dixons* depressed the stock near the outset and the overhang lasted all day. The shares slid 9 to 106p encouraged, said some, by the profits fall at Amstrad whose products are *sold through Dixons' shops.*

Body Shop recovered sharply from a recent extended bout of weakness. It touched 398p at one point before closing 10 better on the day at 388p. Another niche retailer long out of favour, Burton Group, also strengthened against the trend to close at 186p, up 2, after 189p.

Another exception to the stores' decline was Kingfisher. Top management were at Warburg Securities for a presentation. Buying interest was steady, if unspectacular. Turnover totalled 1m shares as the stock touched 280p before sub*siding by the closed to* end a net penny better at 273p.

Second line stores were thin on the ground and moderate demand helped them put in a strong performance. WH Smith, which has been the subject of much optimistic comment from analysts in the last week, led the way. Smiths climbed 6 to 312p, followed by fellow newsagency chain John Menzies, which closed 9 to the good at 334p.

Television contractors put in a resilient performance. The leaders showed strong gains with Anglia 10 better at 248p, Central up 17 at 697p, LWT, 11 to the good at 215p and York*shire* ending 7 firmer at 252p. "TV stocks are asset plays, and earnings hardly play a role at all," explained an analyst.

United Biscuits was depressed after the food ana*lysts at BZW lowered their* forecast for the current year to £189m from £193m. BZW said UB's trading performance had failed to recover as strongly as expected after a dull first half. In the next year, profits were seen slipping to £222m from £228m. UB fell 15 to 341p.

Dalgety also slipped as bid speculation waned. It closed down 20 at 361p. Christian Salvesen rose 5 to 139p on positive market sentiment towards current trading. The best performances from an otherwise unhappy oil and gas sector came from the Burmah/Calor/Premier trio, with speculators *continuing to support all three* stocks on hopes of eventual bid activity concerning possibly all three stocks and SHV, the privately-owned Dutch group.

Burmah, where SHV recently increased its holding to 6.7 per cent, rose 6 more to 619p on. Dealers took the view that SHV may have been adding to its stake. The oil team at Kitcat & Aitken noted that "while SHV is most unlikely to bid for Burmah, it is likely to want a significantly higher stake than 6.7 per cent and its buying should support the Burmah price."

The Smith New Court oil *team reckons that if anything* gets bid for, it will be Calor. "The shares are not overvalued on fundamentals, yet there must be a good chance the group's independence is in doubt with a likely take-out price of 500p a share – the shares are a clear buy." Calor moved up strongly to close 12 firmer at 424p. Premier, where Burmah has a near 30 per cent stake, held at 36p.

BP fell 7 to 292p on turnover of 9.4m with traders noting switching into Shell. "The selling has been American-led, which is surprising seeing as the company is giving a presentation to US institutions in New York on Friday," said one trader. Shell managed a 3 gain to 429p on 7.8m.

British Gas settled only a fraction off at 198p in a clear display of its defensive strength – "good *yield*, good balance sheet, near monopoly market – if you have to be in a difficult market this is one of the pure defensive issues," was the clear view of one dealer.

Engineers traded quietly after Monday's excitement. Business in Jaguar subsided in the wake of news that Ford Motor had raised its stake past the 10 per cent level.

A brief flurry of buying, based on a suggestion from the traded options market that General Motors was about to start buying stock, soon faded. Dealers said they grew cautious after a US broker started *offering stock on Seaq screens.* Jaguar closed 16 better at 664p on turnover of 3m shares - busy compared with recent weeks, but well down on Monday's 19m total.

Hawker Siddeley continued Monday's good performance - it was one of only four shares not to show a fall on that day – by adding another 6 at 648p ahead of today's interim figures. "They should be good," predicted a marketmaker. Turnover at 1m shares was also strong for this usually thinly traded stock.

Bargain hunters bought garage stocks, which had been left behind in Monday's late rally. Among those to benefit were Evans Halshaw, 16 better at 210p, Perry Group, 7 firmer at 158p and Trimoco, up 2½ at 22p. Kwik-Fit also saw buying *interest, albeit at a lower level* than the previous day. Strong turnover on Monday had been accompanied by suggestions that 10 per cent stakeholder, Continental Tyre of Germany, was *picking up stock*. Yesterday the shares closed 4 to the good at 139p.

News that Suter had raised its stake in rubber distributor Hartons to 8.2 per cent sent the latter's shares sharply ahead. They closed 5 better at 46p while Suter ended unchanged at 177p, helped by the latest in a series of share buy-ins by the company.

BAA advanced 6 to 332p on suggestions *that ADT* was continuing last weeks' buying of the stock.

Dealers admitted to being punch drunk in the wake of a stream of conflicting *announcements concerning* British Airways' attempt to participate in the buy-out of UAL, the US carrier. Some 4.5m shares changed hands as the price eased a penny to 192p.

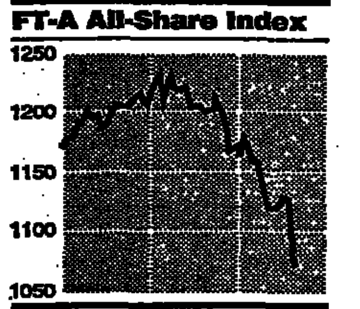
Interim figures from Geers Gross ended several days' fluctuation in the comany's share price. The 10 per cent rise left the shares 3 better at 55p.

Racal Electronic were heavily sold, the shares dropping to 212p at one point before steadying and closing a net 12 down at 218p on 11m. Worries that the dollar may fall further lowered Cable & Wireless 20 to 479p on 6m, but British Telecom and GEC – "the two classic defensive stocks in the sector," according to one analyst – held up well, the latter closing only 2 down at 222p on 5.2m and the *former* 4 *cheaper* at 261p on 10m.

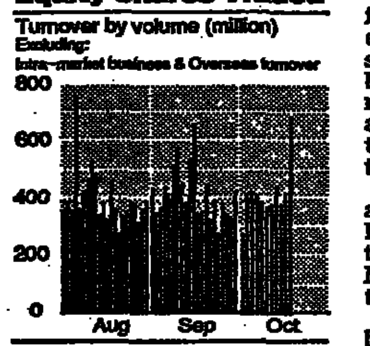
Stocks regarded as bid targets and badly upset on Monday, staged a recovery with Unitech 10 higher at 344p and VG Instruments 21 up at 425p. Logica bounced up 18 to 425p. Alba jumped 10 to 63p after the preliminary figures.

■ Other market statistics, *including FT-Actuaries* Share Index and London Traded Options, Page 27

FT-A All-Share Index



Equity Shares Traded



TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]				[illegible]				[illegible]				[illegible]			
Brit. & Comm.	2,600	119		[illegible]				[illegible]				[illegible]			
Brit. Aerospace	1,200	551	-7	[illegible]				[illegible]				Tate & Lyle	1,200	253	-11
British Airways	4,500	192	-1	[illegible]				[illegible]				Taylor Woodrow	494	258	-1
British Gas	12,998	198	-1	[illegible]				[illegible]				Tesco	2,200	186	-5
British Land	441	298	-1½	[illegible]				[illegible]				THORN EMI	1,800	712	-14
BP	9,150	292	-7	[illegible]				[illegible]				Trafalgar House	2,500	318	-9
British Steel	21,750	124	-1	[illegible]				[illegible]				Trusthouse Forte	3,770	298	-3
British Telecom	10,000	261	-4	[illegible]				[illegible]				Ultramar	3,400	322	-7
Burmah Oil	1,700	619	+6	[illegible]				[illegible]				Unilever	1,500	625	-5
Burton	7,450	186	+2	[illegible]				[illegible]				United Biscuits	975	341	-15
Cable & Wireless	5,978	479	-20	[illegible]				[illegible]				Utd. Newspapers	1,600	425	+10
Cadbury Schweppes	3,500	358	-6	[illegible]				[illegible]				Wellcome	668	597	-12
Carlton Comms.	1,000	789	-4	[illegible]				[illegible]				Whitbread "A"	1,700	363	+17
Commercial Union	2,100	435	-6	[illegible]				[illegible]				Williams Hldgs.	1,800	227	+4
Cookson	1,800	297	-6	[illegible]				[illegible]				Wimpey	454	220	-9

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (3).
BRITISH FUNDS (1) Exchequer 10¼pc 1989, BANKS (1) Yasuda Tst & Bk., ELECTRICALS (1) Phillips Finance 5¼pc.
NEW LOWS (32).
COMMONWEALTH & AFRICAN LOANS (1) LCC 3pc 1920 Aft., CANADIANS (1) Moscocho, BUILDINGS (1) Ramus, STORES (1) Liberty Non-Vtg., ELECTRICALS (1) Sllck, INDUSTRIALS (3) ASD, Campbell & Armstrong, Mid Kent Hldgs., Pergamon 1995, Smithkline Beecham Ln 1990/92, INSURANCE (4) Archer (A.J.), Bradstock, Dewey Warren, Sabre Ins. Inv., MOTORS (1) Lex Service, PAPERS (1) Delyn Pack., PROPERTY (6) Land Securities 10pc Deb 2025, Do. 10pc 2030, Mountleigh 8¼pc Pf., Slough Estates 12⅝pc, Trust of Prop., Waterglade 7¾pc Pf., TEXTILES (1) Stoddard, TRANSPORT (1) Rockwood 8½pc Pf., TRUSTS (6) Baltic 7pc Pf., China & East Warrants, Grahams Rintoul, Staires Inv. 11pc Ln., Stragem, Tyndall, MINES (1) AuDAX Res., THIRD MARKET (1) Unit Group.

APPOINTMENTS

■ Mr Rodney Jones has joined BT FINANCIAL SERVICES INFORMATION SYSTEMS CORP, a subsidiary of Bankers Trust New York Corp, as associate director sales and marketing, Europe. He was formerly at Telerate Europe Gulf.

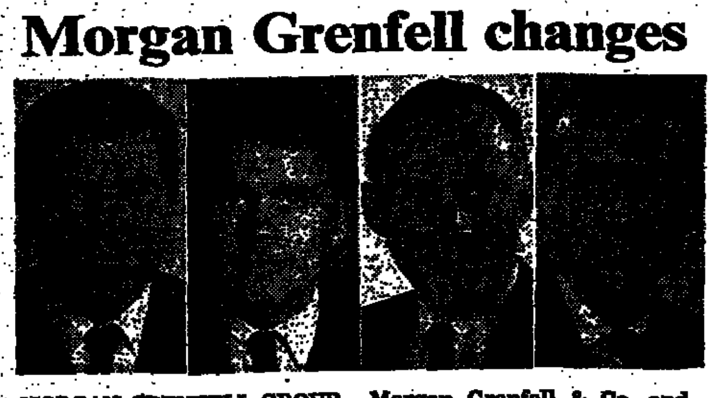
■ Mr Peter Weiss has been appointed managing director of newly-formed MAM (UK), a subsidiary of Austrian babycare manufacturer Mam Babyartikel. He was managing director of Lewis Woolf Griptight, and is joined as sales *and marketing* director by Mr Stephen Wooller who was marketing director of Cannon Babysafe.

■ Mr Richard Cole has been appointed MIDLAND GROUP representative in Moscow. He was trade finance director, Far East, at Midland Montagu Trade Finance, and succeeds Mr John Burgess who is *retiring*.

■ Mr Nat Solomon has been appointed a non-executive director of HARRAP PUBLISHING GROUP. He was chairman of Pleasurama.

■ ROBERT FRASER INSURANCE BROKERS has formed a new agricultural division. The company will trade under the name of Robert Fraser Agricultural Risks. The principal directors will be Mr David Gibbons, Mr Simon Hall, Mr Nigel Renton and Mr Stuart Smart.

Morgan Grenfell changes



MORGAN GRENFELL GROUP has made the following changes. Sir Peter Carey is to step down as chairman, while remaining on the board. He will be succeeded by Mr John Craven *(left)* group chief executive. Mr Anthony Richmond-Watson joins the board as deputy chairman succeeding Mr Christopher Whittington *(right)* who has retired, but remains on the board as a non-executive director. Mr Michael Dobson *(centre, left)* becomes group chief executive.

Mr David Ewart, a director of Morgan Grenfell & Co, and group *finance director*, is taking early retirement, and his duties at group board level will be assumed by Mr Richmond-Watson. Mr Whittington has also retired as chairman of Morgan Grenfell & Co, and been succeeded by the deputy chairman, Mr Richard Webb *(centre, right)*. Mr Whittington has been appointed an executive director on the board of LIT HOLDINGS, and will become chief executive of Johnson Fry Corporate Finance.

■ Sir Richard Gaskell, the former president of the Law Society, and Mr A.I.D. Frith have been appointed directors of BRISTOL WATER.

■ Mr Norbert Wirsching, chief executive of the electronics division, has been made a director of POLLY PECK INTERNATIONAL.

■ Mr Fred Chiles has been appointed an executive director of CADCENTRE. He is to head the company's manufacturing industries division.

■ Mr John Prestage has been made a director of SPRECKLEY VILLIERS HUNT & CO. He will underwrite for a new non-marine Syndicate 1151 following a successful application to Lloyd's.

■ THE INSOLVENCY PRACTIONERS ASSOCIATION has elected Mr Stephen Adamson as president. The new vice president is Mr Ian Bond.

■ Mr Nicholas C. Wallis has been appointed secretary and financial controller at GERRARD & NATIONAL HOLDINGS. Mr Christopher Rand has become a director of Gerrard and National Ltd.

■ Mr Graeme Dunlop has become deputy chairman of P&O EUROPEAN FERRIES in addition to his position as managing director. He is also appointed chairman of P&O Scottish Ferries, Aberdeen.

■ Mr John Bullock has been appointed a part-time member of the UNITED KINGDOM ATOMIC ENERGY AUTHORITY. He is a senior partner at Deloitte, Haskins and Sells, and is re-appointed for two years from November 1.

■ DALGETY, the food and agriculture group, has appointed Mr Maurice Warren, group managing director, as chief executive, *writes Lisa Wood.*

Mr Warren had been widely tipped in the City as successor to Mr Terry Pryce who abruptly left the post of chief executive in July after eight years in that role.

At that time Mr Warren, who was responsible for Dalgety's operations in the UK and Europe, took on additional responsibilities, including Dalgety's businesses in Australia and the US.

Successful asset management today hinges on the quality of securities analysts and their research systems. Systems which scrutinize equities and bonds in major currencies.

You're already familiar with one product of our securities analysis. It appears in your daily newspaper.

Case in point: BHF-BANK. The BHF-BANK Bond Market Index, published daily in the financial press, is but one sign of the quality of our market assessments, performance ratings and technical analyses. Together with the pertinent performance indices, it provides an objective yardstick of trends on the German bond market.

This index, of course, is only the tip of the iceberg – the visible sign of our analytical systems' success in *optimizing the return* on investment of your securities portfolio.

Innovative analytical instruments are only part of what it takes to make a bank a partner for the discerning investor. Equally important are a service-minded approach and customized problem solutions – the style of a merchant bank, which BHF-BANK has cultivated for more than 100 years.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Midland Unit Trusts Ltd—Contd.						
(Accum Units)	6	160.4	160.4	171.6	+6.9	2.51
European Growth	6	136.3	136.3	145.2	-3.7	0.64
(Accum Units)	6	167.8	167.8	178.7	-4.6	0.64
Extra High Inc	6	66.89	68.16xd	72.90	+2.4	7.49
(Accum Units)	6	92.86	94.62	101.2	+3.3	7.49
Gilt & Fxd Int	4	50.04	50.06	52.28	-0.16	9.86
(Accum Units)	4	103.0	103.0	107.6	-0.4	9.86
High Yield	6	195.8	199.2	213.0	+8.8	5.68
(Accum Units)	6	377.4	383.8	410.5	+16.9	5.68
Income	6	231.8	235.1	251.4	+14.2	4.49
(Accum Units)	6	419.0	424.8	454.3	+25.4	4.49
Intl High St UT	6	56.25	56.25	60.16	+1.74	1.62
(Accum Units)	6	57.98	57.98	62.01	+1.80	1.62
Japan Growth	6	407.9	407.9	436.3	+7.1	0.00
(Accum Units)	6	428.7	428.7	458.8	+7.5	0.00
Mandarin Tst	6	63.19	63.23	67.63	+2.80	1.73
(Accum Units)	6	63.71	63.76	68.19	+2.83	1.73
Mngd P'folio Acc	6	70.80	71.57	76.55	+2.34	1.98
Money Market UT	4	49.53	49.53	51.52	+0.01	10.86
North American	6	128.0	130.2	139.2	+0.8	0.53
(Accum Units)	6	158.0	160.7	171.9	+1.0	0.53
Smaller Cos	6	155.3	155.3	166.1	+9.8	1.88
(Accum Units)	6	172.8	172.8	184.8	+10.9	1.88
Meridian Income	6	104.0	105.2xd	112.5	+3.0	3.95
(Accum Units)	6	108.7	110.0	117.6	+3.2	3.95
Meridian Growth	6	116.7	117.7	125.9	+4.1	2.18
Midland Personal Pension Unit Trust*						
British	6	57.87	58.65	62.39	+2.59	3.23
European Growth	6	62.25	62.31	66.29	-1.70	0.64
Gilt & Fixed	6	51.03	51.07	54.33	-0.29	9.91
Income	6	53.05	54.04	57.49	+2.36	4.49
Japan Growth	6	59.75	60.11	63.95	+1.04	0.00
Managed	6	55.84	56.75	60.37	+1.18	1.97
Money Market	6	54.50	54.50	57.77	.....	10.84
North American	6	59.84	61.19	65.10	-0.68	0.53
Midland FSAVCS Unit Trust*						
British	6	53.85	54.60	58.09	+2.47	3.17
European Growth	6	59.63	59.69	63.50	-1.67	0.65
Gilt & Fixed Int	6	49.59	49.63	52.80	-0.30	9.94
Income	6	53.94	54.36	57.83	+2.40	4.50
Japan Growth	6	60.99	61.37	65.29	+1.04	0.00
Managed	6	54.16	55.07	58.58	+1.16	2.00
Money Market	6	51.71	51.71	54.81	.....	10.94
North American	6	59.08	60.44	64.30	-0.69	0.54
Midland Executive Pension Unit Trust*						
British	6	56.13	55.89	59.469	+2.39	3.14
European Growth	6	58.97	59.03	62.80	-1.65	0.64

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Income	5	67.83	67.83	72.23	+0.50	3.57
Cap & Gth	5	119.5	119.5	128.9	-2.6	6.75
Euro Gwth & Inc	5	52.25	52.25	56.48	-3.77	1.83
Extra Income	5	126.8	126.8xd	135.4	+5.1	5.22
Far East	5	262.2	262.2xd	278.6	+9.0	0.01
High Income	5	83.51	83.51xd	89.22	+3.18	4.87
International	5	154.5	154.5xd	164.3	+3.5	0.54
Nth American	5	160.3	160.3xd	171.4	+0.3	0.01
Pref & Fxd Int	5	45.37	45.37xd	48.78	+0.30	8.40
Special Sits	5	105.4	105.4	112.7	+5.2	1.82
Technology	5	143.4	143.4	153.0	+1.8	0.52
Providence Capital Fd Mgrs Ltd (1000)H						
30 Uxbridge Road, London W12 8PG 01-749 9111						
European Acc	5	125.2	125.2	134.0	+1.2	0.56
European Inc	5	120.8	120.8	129.4	+1.3	0.56
Japan Acc	5	128.3	128.3xd	137.4	+0.7	0.00
Japan Inc	5	128.1	128.1xd	137.1	+0.7	0.00
Nth American Acc	5	69.29	69.29	73.76	-0.33	1.40
Nth American Inc	5	66.42	66.42	70.71	-0.30	1.40
UK Equity Acc	5	79.59	79.59	85.67	+2.40	3.18
UK Equity Inc	5	72.16	72.16	77.68	+2.18	3.18
Worldwide Acc	5	111.2	111.2xd	118.8	+1.1	0.31
Worldwide Inc	5	106.7	106.7xd	113.9	+1.0	0.31
UK High Inc Eq Acc	5	75.96	75.96	82.57	+2.32	6.21
UK High Inc Eq Inc	5	66.84	66.84	72.66	+2.05	6.21
Hong Kong Acc	5	46.73	46.73	49.88	+2.07	2.84
Hong Kong Inc	5	44.61	44.61	47.61	+1.98	2.84
Swiss Equities Acc	5	38.76	38.76xd	41.60	+1.36	1.11
Swiss Equities Inc	5	38.06	38.06xd	40.85	+1.34	1.11
W'wide Bond Acc	5	55.63	55.63xd	58.68	+0.07	5.80
W'wide Bond Inc	5	52.91	52.91xd	55.82	+0.06	5.80
Emerging Asia Acc	5	94.46	94.46	101.3	+2.78	0.00
Emerging Asia Inc	5	94.46	94.46	101.3	+2.78	0.00
UK Money Mkt Acc	0	50.64	50.64	50.64	+0.01	12.84
UK Money Mkt Inc	0	50.64	50.64	50.64	+0.01	12.84
Thailand Inc	5	46.29	46.29	49.18	+0.94	0.61
Thailand Acc	5	46.29	46.29	49.18	+0.94	0.61
Provident Mutual Unit Tst Mgrs Ltd (0905)H						
25-31 Moorgate, London, EC2R 6BA 01-588 3963						
PM Equity Gth	5	112.5	112.5	119.6	+3.4	2.89
PM Income & Gth	5	92.06	92.06xd	97.93	+1.47	4.46
PM Nth Amer Gth	5	61.31	61.31	65.22	+1.39	1.16
PM European Gth	5	58.37	58.37	62.09	-4.73	0.71
PM Japan Gth	5	81.89	81.89	87.11	+0.87	0.28
PM Overseas Gth	5	55.80	55.80	59.36	-0.04	0.44

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Prudential-Holborn Unit Tsts Ltd (1445)H						
51-64 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377						
Holborn LinkLine 0800 010345						
Two Hourly Pricing						
Holborn Trust	6	23.80	24.08	25.75	+0.97	0.94
Holborn Comm	6	74.87	74.87	80.07	+1.74	0.30
Holborn Equity Inc	6	62.17	62.17	66.49	+2.45	4.97
Holborn Equity	5	535.17	543.93xd	575.58	+21.7	3.48
Holborn European	6	143.50	144.71	154.77	+3.32	0.23
Holborn High Inc	6	75.95	75.93xd	81.20	+1.72	6.77
Holborn Intl Grth	6	125.58	125.58	134.31	+3.44	0.71
Holborn Intl Sml Co.	6	58.35	58.35xd	62.40	+1.21	0.00
Holborn Japanese	6	178.58	178.89xd	191.32	+2.37	0.00
Holborn Nth Amer	6	100.00	100.59	107.58	+3.77	0.38

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Scottish Provident Inv Mgt Ltd (1000)F						
6 St Andrew Sq, Edinburgh EH2 2YA 031-558 2327						
Equity Growth Acc	6	18.19	18.38xd	19.67	+0.58	4.51
Equity Growth Inc	6	17.22	17.45	18.68	+0.53	4.51
Intl Growth Acc	6	24.10	24.53xd	26.26	-0.26	0.69
Intl Growth Inc	6	23.58	24.00	25.69	-0.25	0.69
Global Income Acc	6	21.22	21.38	22.88	-0.09	5.27
Global Income Inc	6	19.72	19.86	21.26	-0.09	5.27
Market Leaders Acc	6	18.57	18.72	20.04	+0.53	4.16
Market Leaders Inc	6	17.35	17.49	18.72	+0.50	4.16
Scottish Widows' Fund Mngmt (0659)H						
PO Box 902, Edinburgh EH16 5BU 031-668 3724						

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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OTHER UK UNIT TRUSTS

INSURANCES

Crusader Insurance Plc
Reigate, Surrey RH2 8BL 0737 242424

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Managed Performance	109.6	116.0	−1.4	−
Performance Plus	105.9	112.1	−1.6	−
With Profit Perform.	122.6	129.7		−
UK Opportunity	136.0	143.9	−0.2	−
European Opportunity	129.0	136.5	−1.2	−
Nth American Opp.	109.7	116.1	−3.6	−
Far Eastern Opp.	125.5	132.8	−8.0	−
Overseas	113.7	120.3	−1.2	−
Cash Prp Ser 1 (Aug 8)	216.6	227.9		−
Cash Prp Ser 2	167.4	177.1		−
Fixed Interest	113.2	119.8	+1.0	−
Cash	114.3	120.9		−
Pension Funds				
Cash	106.5	112.1	+0.1	−
European	131.6	138.5	−1.2	−
Far Eastern	124.5	131.1	−11.0	−
Fixed	103.4	108.8	+1.0	−
Mixed	110.4	116.2	−2.0	−
Nth American	132.7	139.7	−4.8	−
Property	125.9	132.5	+0.1	−
Secure Income	103.7	109.2	+1.1	−
UK	105.7	111.3	−0.2	−
With Profit	109.3	115.1		−
Managed Pens July 31	411.75	419.86		−

Devonshire Life
29 Glasshouse St., W1R 5RG 01-434 3511

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	157.8	166.2	−8.8	−
World Growth	135.3	142.5	−10.0	−
UK Equity	173.0	182.2	−14.8	−
UK Small Companies	157.7	166.1	−17.7	−
European	126.6	133.3	−15.1	−
Far Eastern	286.5	301.6	−25.8	−
Nth American	114.6	120.7	−4.6	−
Fixed Interest	192.8	199.9	+1.8	−
Index Linked Stks	142.8	150.4	+3.2	−
Money	119.9	126.3		−
Pen Managed	206.5	217.5	−8.5	−
Pen World Growth	145.7	153.5	−7.7	−
Pen UK Equity	257.6	271.3	−17.9	−
Pen UK Small Cos	216.2	227.7	−18.3	−
Pen European	124.7	131.4	−11.2	−
Pen Far Eastern	408.2	429.8	−33.4	−
Pen Nth American	116.3	122.5	−1.5	−
Pen Fixed Interest	153.2	161.3	+2.9	−

Continued on next page

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Premium Life Assurance Co Ltd

37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	124.0	131.0	-7.0	–
Building Soc. Fd	174.0	184.0	.....	–
Balanced	275.0	290.0	-10.0	–
European	185.0	195.0	-10.0	–
GT Managed	185.0	195.0	-8.0	–
Gartmore Mngd	129.0	136.0	.....	–
German	139.0	147.0	-3.0	–
Gilt	176.0	186.0	-3.0	–
Global	49.0	52.0	-1.0	–
High Inc	115.0	122.0	.....	–
International Equity	191.0	202.0	-9.0	–
Japan	267.0	282.0	-6.0	–
Managed	56.0	59.0	-4.0	–
Property	294.0	310.0	.....	–
R. W. Imperial Gold	158.0	167.0	.....	–
UK Equity	315.0	332.0	-21.0	–
Pension Funds				
American	163.0	172.0	.....	–
Building Soc. Fd	178.0	188.0	.....	–
Balanced	223.0	235.0	.....	–
European	197.0	208.0	.....	–
German	129.0	136.0	.....	–
Gilt	156.0	165.0	.....	–
International Equity	148.0	156.0	.....	–
Japan	149.0	157.0	.....	–
Managed	61.0	65.0	-3.0	–
Property	225.0	237.0	.....	–
UK Equity	302.0	318.0	-15.0	–

Professional Life Assurance Co Ltd

Frobisher Hse, Nelson Gate, Southampton 0703 232323

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Managed Fund	96.35	101.86	.....	–
Pensions Cash Fund	80.63	84.87	.....	–

Prolific Life & Pensions Ltd (z)

Stramongate, Kendal, Cumbria LA9 4BE 0539 733733

Managed Fund see Balanced Growth Managed Fund

Life Funds

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
100	98⅝	Exch 10½pcCv '89	100xd	+	–	–
101	99½	Treas 13pc 1990‡‡	99	−	13.05	13.90
132	124	Treas 2pc IL '90(84.6)	132	.....	2.09	9.98
99	98	Exch 11pc 1990‡‡	99	−	11.10	13.64
101	99	Exch. 12½pc 1990	99	−	12.57	13.82
95¾	91	Treas. 3pc 1990	95xd	−	3.14	11.45
97¼	95⅝	Treas 8¼pc 1987-90‡‡	96¼	.....	8.53	13.53
98	95¼	Treas. 8pc Cv 1990 ‡‡	96⅜	+	8.30	13.14
98	96	Treas. 10pcCv 1990	96xd	−	10.31	13.25
93	87	Exch 2½pc 1990	92⅝xd	.....	2.71	10.16
101	98	Treas 11¾pc 1991	98	−	11.91	12.88
93⅝	89⅞	Funding 5¾pc '87-91‡‡	92	−	6.21	11.42
90¾	86	Treas. 3pc 1991	90xd	−	3.34	10.12
100	95½	Treas 10pc Cv '91 ‡‡	96	−	10.38	12.38
101	96	Exch. 11pc 1991	97½xd	−¼	11.26	12.35
94⅝	91	Treas. 8pc 1991	91¾	−	8.70	12.34
106	100	Treas 12¾pc 1992‡‡	101	−	12.52	11.73
99½	95	Treas 10pc 1992	96¼	+	10.38	11.80
94	90	Treas. 8pc 1992 ‡‡	91¾	−	8.70	11.79
100¼	96	Treas 10½pc Cv 1992‡‡	97xd	−	10.75	11.60
85¾	82¼	Treas. 3pc 1992	84¼	+	3.57	10.05
105	100¼	Exch. 12¼pc '92	101	−	12.07	11.59
109¼	103	Exch 13½pc 1992	104¾	−	12.87	11.46
94	90	Treas 8¼pc 1993	91½	−	9.01	11.31
100	95	Treas 10pc 1993‡‡	96	−	10.35	11.18
108¾	102	Treas 12½pc 1993‡‡	103	−	12.03	11.17
88	84	Funding 6pc 1993‡‡	85	+	7.06	10.79
113¾	107	Treas 13¾pc 1993‡‡	108xd	−	12.66	11.08
94¼	89¾	Treas. 8½pc 1994	91	−	9.31	11.08
117	111	Treas 14½pc 1994‡‡	112¼	−	12.91	10.89
113	107	Exch 13½pc 1994	108xd	−	12.44	11.05
100⅝	95	Treas. 10pc Ln. 1994‡‡	96	−	10.35	10.93
110¼	104	Exch. 12¾pc 1994	105	−	11.87	11.04

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
96	91¾	Treas 9pc 1994‡‡	92xd	−	9.67	10.82
108	102	Treas 12pc 1995	103	−	11.59	10.98
79½	72	Exch 3pc Gas 90-95	75xd	+1	4.00	9.22
101	95¼	Exch. 10¼pc 1995	97	−	10.54	10.88
113	107¼	Treas 12¾pc 1995‡‡	108xd	−	11.73	10.77
119	112	Treas. 14pc '96	113¼	−	12.35	10.97
97½	91	Treas. 9pc 1992-96‡‡	92	−	9.71	10.61
126	119	Treas 15¼pc 1996‡‡	120xd	−	12.66	10.80
117	110	Exch 13¼pc 1996‡‡	111xd	−	11.89	10.78
101	94	Conversion 10pc 1996	96xd	−	10.34	10.67
118½	110¼	Treas 13¼pc 1997‡‡	112	−	11.82	10.77
104	97¼	Exch 10½pc 1997	98	−	10.61	10.68
95	88¾	Treas 8¾pc 1997‡‡	90	−	9.62	10.45
128¾	120	Exch 15pc 1997	121	−	12.34	10.90
100	93	Exch. 9¾pc 1998	95½	−	10.21	10.56
84¾	78¾	Treas 6¾pc 1995-98‡‡	80¾xd	−	8.36	10.17
134	125	Treas. 15½pc '98‡‡	126¾	−	12.20	10.71
113	105¼	Exch. 12pc 1998	107xd	−	11.15	10.67
100¼	93	Treas 9½pc 1999‡‡	95	−	9.97	10.28
115¾	107½	Exch. 12¼pc 1999	109	−	11.19	10.63
105½	97¾	Treas. 10½pc 1999	100xd	−	10.50	10.49
104	96	Conversion 10¼pc 1999	98xd	−	10.39	10.48
94	86¾	Treas. 8½pc Ln 2000‡‡	89	−	9.54	10.22
97	90	Conversion 9pc 2000‡‡	92¾	−	9.77	10.25
122	113	Treas. 13pc 2000	114	−	11.31	10.63
103⅝	95⅝	Treas 10pc 2001	98	−	10.20	10.28
124	115½	Treas. 14pc '98-01	117	−	11.93	10.85
102	94	Conversion 9¾pc 2001	96	−	10.09	10.24
113	105½	Exch. 12pc '99-02	107½	−	11.17	10.70
104	96	Conversion 10pc 2002	98	−	10.11	10.15
102	94	Treas 9¾pc 2002	97½	−	10.02	10.11
97	89	Exch. 9pc 2002	92xd	−	9.73	10.04
126	117	Treas. 13¾pc 2000-03	119½	−	11.52	10.67
105⅝	97½	Treas 10pc 2003	99	−	10.00	10.00
113	104	Treas. 11½pc 2001-04	106	−	10.76	10.45
106	97⅝	Treas. 10pc 2004	100¼xd	−	9.96	9.953
59⅝	55	Funding 3½pc '99-04	56⅝	.....	6.19	8.82

Over Fifteen Years

BRITISH FUNDS—Contd

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
102	94¼	Conversion 9½pc 2004	96¾xd	+	9.78	9.87
103	94½	Conversion 9½pc 2005	97	−1	9.76	9.83
111	102	Exch.10½pc 2005	104	−1	9.98	9.84
125	115¼	Treas. 12½pc 2003-05	118¼xd	−	10.56	10.04
90⅞	82⅞	Treas. 8pc 2002-06‡‡	85	−	9.36	9.77
105	97	Conversion 9¾pc 2006	99xd	−1	9.78	9.79
118	109	Treas. 11¾pc 2003-07	112	−	10.47	10.05
96	87	Treas 8½pc 2007 ‡‡	90	−	9.40	9.63
134⅝	123⅝	Treas. 13½pc '04-08	126	−	10.66	9.97
101	92	Treas. 9pc 2008 ‡‡	94	−	9.47	9.57
92	84	Treas 8pc 2009	86½	−	9.24	9.51
102	93	Conv 9pc Ln 2011 ‡‡	95	−1	9.44	9.50
68⅞	62	Treas. 5½pc 2008-12‡‡	64	−	8.58	9.32
89⅞	82	Treas. 7¾pc 2012-15‡‡	83¼	−	9.28	9.47
132	121¼	Exch. 12pc '13-'17	123¼	−1	9.74	9.52

Undated

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
45⅝	41½	Consols 4pc	41¾	−¼	9.58	–
40⅜	36½	War Loan 3½pc‡‡	37	−	9.46	–
70	60⅞	Conv. 3½pc '61 Aft.	63	−	5.56	–
41	31	Treas. 3pc '66 Aft.	33½	−	9.06	–
30¼	25	Consols 2½pc	26	−	9.50	–
29½	25	Treas. 2½pc	26	−¼	9.57	–

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or −	(1)	(2)
112¼	103	Tr. 2pc '92‡‡(97.8)	110½	−	2.96	4.14
105	94	Do. 2'94 (102.9)	102½xd	−	3.13	3.75
155	139½	Do. 2pc '96(67.9)	151	−	3.11	3.54
130	118	Do 2½pc '01(78.3)	128	−	3.42	3.70
127	115	Do. 2½pc '03(78.8)	125xd	−	3.50	3.74
131	117	Do. 2pc '06(69.5)	128½	−	3.52	3.72
123	110¼	Do. 2½pc '09(78.8)	119xd	−	3.53	3.72
128	114	Do. 2½pc '11(74.6)	124¼	−	3.52	3.69
106¼	95¼	Do. 2½pc '13(89.2)	103	−	3.50	3.66
115	101¼	Do. 2½pc '16(81.6)	112	−	3.46	3.62
112	100	Do. 2½pc '20(83.0)	109	−	3.42	3.56
95	84	Do. 2½pc '24‡‡(97.7)	92	−	3.38	3.51

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1989: 111.8 and for September 1989: 116.6.

INT. BANK AND O'SEAS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
108	99½	African Dv Bk 11¼Ln2010	101	−1¼	10.95	10.92
104	96½	Asian Dev Bk 10¼pcLn2009	98	−	10.41	10.48
130	119	Australia 13½pc 2010	121	−	11.08	10.89
113	102	Do. 11½pcLn2015	105½	−	10.82	10.82
108	99	Euro Inv Bk 11pc Ln 2002	102	−	10.77	10.72
104	95	Do. 10¼pc2004	98	−	10.59	10.67
119	109	Int-Am Dev Bk 12½pc 2003	111	−	11.24	10.88
99¼	90	Do. 9¾pcLn 2015	93	−	10.44	10.54
97½	91½	Mlysia 10¾pcLn 2009	93xd	.....	11.56	11.66
120	115	Utd. Mexican States 16½pc 2008	115	.....	14.35	14.20

CORPORATION LOANS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
102	99½	Birmingham 13½pc 1989	100½	.....	13.43	11.20
111½	102	Do. 11½pc 2012	103½xd	+1	11.11	11.10
91	85½	GLC 6¾pc 1990-92	87½xd	+1	7.71	13.10
124½	116	Leeds 13½pc 2006	118½	+1	11.39	11.06
33	30	Liverpool 3½pc Irred.	30xd	−2	11.67	–
95½	92	LCC 6¾pc '88-90	93½	+1	7.22	13.90
30	26	Do. 3pc '20 Aft.	26xd	−2	11.54	–
107½	101½	Manchester 11½pc 2007	102½xd	.....	11.22	11.20

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
89½	86½	NZ 7¼pc 1988-92	88	.....	8.24	12.10
206	206	S Rhod 2½pc Non-Asstd.	206	.....	–	–
84½	84½	Do. 4½pc 87-92 Asstd.	84½	.....	5.33	9.33

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
99	98	N'wide Anglia 11pc 6.11.89	99xd	.....	11.83	14.93
100	98	Do. 12pc 4.12.89	99	−	12.58	15.38
100	99	Do. 12pc 2.1.90	99	−	12.89	15.23
100½	98¾	Do. 12pc 29.1.90	99	−	12.68	15.27
100	98¾	Do. 12pc 26.2.90	98	−	12.82	15.26
100	98	Do. 12pc 19.3.90	99	−	12.99	15.13
100	99¼	Do. 13¼pc 23.4.90	99xd	−	13.48	15.05
100	98	Do. 13pc 14.5.90	99xd	−	13.12	14.99
100	98	Do. 13pc 4/6/90	99	−	13.80	14.92
100	99	Do. 14pc 2.7.90	99½	−	14.38	14.89
100¼	98	Do. 13pc 23.7.90	99	−	13.76	14.87
100	98	Do. 13pc 13.8.90	98	−	13.59	14.82
107	98½	Do. 3¾pcIL Ln 2021	106xd	.....	4.21	4.30

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
47	43	Met. Wtr. 3pc 'B'	46xd	.....	6.52	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40	.....	3.50	f8.75
45	40	Do. 6pc 28 Stb. Ass.	40xd	.....	3	f7.50
45	40	Do 4pc Mixed Ass.	40xd	.....	2	f5.00
80	65	Hung. '24 Ass.	80	.....	2.75	f3.57
139	128	Hydro Quebec 15pc 2011	130	−	15.00	10.971
128	118	Iceland 14½pc Ln 2016	121	−	14.50	11.81
97¾	91½	Ireland 9¾pc '91-96	92xd	.....	9.75	11.40

AMERICANS

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
43¾	26½	Abbott Laboratories‡	41xd	+2	$1.40	–	2.2
579p	361p	♥Allegheny & W 1c	475p	+3	30c	–	4.0
18¾	12	Amax $1	15xd	+1	80c	–	3.3
11⅝	6	Ambase Corp $1	9xd	−	20c	–	1.3
15	807p	Amdahl 5c	850pxd	+6	‡10c	–	0.7
37¾	25½	Amer. Cyanamid $5	31¼	+¼	$1.35	–	2.7
25	14	Amer. Express 60c	23⅝xd	+2¼	84c	–	2.2
16¼	854p	Amer. Medical Int. $1	13¼	+	‡72c	–	3.4
28¼	15¾	American T. & T. $1	27	+2	$1.20	–	2.8
41⅝	26	Ameritech $1	40⅝	+2¼	h$2.92	–	4.6
659p	535p	♥Asiamerica Equity‡	547p	+2		–	–
22	9⅝	BankAmerica $1	27¼xd	+¼	60c	–	1.8
37⅛	19⅞	Bankers N.Y. $1	32xd	+1	$2.08	–	4.0
66⅝	38½	Bell Atlantic $1	62¼	+1	$4.08	–	4.1
35⅛	19⅞	BellSouth Corp.	33⅛	+1	$2.52	–	4.8
15	11	♥Bethlehem Steel $8	11xd	+	$1.00	–	5.4
12	868p	♥Bio-Rad Labs. A	10⅞	−		–	–
20¼	15¼	Bowater Inc	16⅝	−	$1.12	–	4.3
12⅞	9¼	Brunswick 75c	9⅝xd	−	44c	–	2.9
42⅝	28¾	CPC Intnl. 25c	39¾	+2⅝	$1.80	–	2.9
863p	393p	California Engy	788p	.....		–	–
36	17¼	Campbell Soup 15c	29xd	+2	92c	–	2.0
28¾	15	Chase Manhattan $12½	24xd	.....	$2.36	–	6.2
26¼	17	Chem. Banking Corpn	23½	+⅞	$2.72	–	7.3
17½	13⅞	Chrysler $6¼	14⅝xd	+	$1.20	–	5.2
22	14	Chicorp $1	20xd	+1	$1.62	–	5.0
41⅝	25¼	Colgate-Palmolive $1	39⅝xd	+2¼	s$1.48	–	2.4
17¼	10⅞	Cont'l Bank Corp $4	15½	+1	80c	–	3.3
410p	218p	♥Corporate Data Scnce	315p	.....		–	–
27½	21	Dana Corp. $1	22¾xd	+	$1.60	–	4.4
12	854p	Data General	916p	+1		–	–
38⅝	28⅝	Dun & Bradstreet $1	34⅝	+1⅞	$2.00	–	3.7
43¼	30½	Eaton Corpn. 50c	37¼	+¾	h$2.00	–	3.4
11⅞	8⅞	Echlin Inc	9	+¼	70c	–	4.6
20⅞	16	FPL Group 1c	20⅛xd	+	$2.28	–	7.0
23	13⅛	Fluor Corp 62½pc	20	+	16c	–	0.5
35⅛	27⅝	Ford Motor $1	32xd	+1	$3.00	–	5.9
37¾	24¼	Gen. Elect. 63c	35	+2	$1.64	–	2.9
579p	460p	♥General Host Corp $1	475p	.....	30c	–	4.0

Continued on next page

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
39¼	18¼	Gillette $1	28½	−⅛	96c	—	2.1
987p	601p	Gt American Bank Bk $1	640p	−5	20c	—	2.0
23⅞	16 3/16	Greyhound $1½	20¼	+½	$1.32	—	4.1
14⅝	847p	Hasbro Inc 50c	13½	+⅛	16c	—	0.7
57½	32¾	Honeywell $1½	48 ⅞		$2.10	—	2.7
22⅜	15¼	Houston Inds.	21½	+1⅛	$2.96	—	8.7
76⅞	62⅞	IBM Corpn $1¼	65 ⅞	+2⅞	$4.84	—	4.7
60p	45p	Image Storage/R.Sys.1c	52p	+7	—	—	—
32⅛	18¾	Ingersoll–Rand $2	29¼	+2⅛	$1.20	—	2.6
33¼	22½	Lockheed Crpn. $1	29½	−⅜	$1.80	—	3.9
22⅝	15⅞	Lone Star Inds $1	17⅞	+7/16	$1.90	—	6.7
27⅞	17½	Louisiana Land 15c	25¼	+⅛	$1.00	—	2.5
20½	11½	Lowe's 50c	19	−⅜	48c	—	1.6
28 3/16	15⅞	Manuf. Hanover $1	25¼	+⅛	$3.28	—	8.1
22⅝	13 3/16	Merrill Lynch $1	17½	+⅛	$1.00	—	3.6
2477p	1910p	Molex Inc	2330p	−35	3.2c	—	—
30⅞	18⅛	Morgan (JP) $2½	28	+1⅛	$1.66	—	3.8
28 13/16	24⅛	Morris (Philip)	27¼	+2⅛	$1.13	—	2.6
54½	36⅛	NYNEX $1	51	+⅜	$4.36	—	5.4
44p	20p	N'wide Legal Serv.	30p	+1	—	—	—
24⅞	18¼	PHH Corp.	23¼	−⅛	$1.12	—	3.1
259p	179p	Pacific Agr.	200p		—	—	—
27¼	19	Pacificorp $3¼	26	+¼	$2.76	—	6.4
30¼	16⅞	Pacific Telesis 10c	28½	+1⅛	$1.88	—	4.2
22⅞	15¼	Pall Corp. 25c	21⅛	+1⅛	48c	—	1.4
55⅛	39 3/16	Pennzoil 83 1/3c	50⅛	+⅛	$3.00	—	3.8
42¼	28¾	Quaker Oats $5	38 3/16	+1⅛	$1.20	—	2.0
32⅞	23½	Rep NY Corpn $5	29 3/16	−⅜	$1.28	—	2.7
16	11 13/16	Rockwell Intl. $1	14¼	+⅛	78c	—	3.3
29½	22	Sears, Roebuck 75c	26½	+1½	$2.00	—	4.8
37½	21⅝	Southwestern Bell $1	35⅝	+1½	$2.60	—	4.6
27⅞	17⅞	Sun Co. Inc. $1	24⅝	+⅛	$1.80	—	4.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

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Central African

Finance

Australians

Tins

MINES — Contd

Miscellaneous

THIRD MARKET

1989 High	Low	Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's	P/E
115	28	Tomorrows Leisure 20p y	77	+6	–	–	–	38.3
For Tullow Oil see Oils & Gas								
113	60	UPL Group 10p y	65	+5	2.75	1.9	5.6	12.3
150	132	Unit Group y	132	–2	5.0	3.3	5.1	7.5
100	66	Video Magic Leis. 1p y	79	+7	W2.0	0.7	3.4	63.3
14	4½	Vista Ents 5p y	6	+½	–	–	–	–
40	21	Vizcaya Hldgs 5p y	25	......	–	–	–	–
46½	23	Whitegate Leisure 20p y	37	+1½	–	–	–	–
32½	10	Do. Wrrnts y	24	+1	–	–	–	–
10¼	5	Wilton Group 1p y	5¾	+¼	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ǁ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend,

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

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Industrials

Property

Oils

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar hit by US trade figures

A LARGER than expected US trade deficit in August did nothing to calm jangled nerves on Wall Street yesterday and market reaction to the figures led to a weakening of the dollar on the foreign exchanges.

A fall in US exports and a rise of 6.4 per cent in imports widened the trade gap to $10.77bn in August, from a revised $8.24bn in July. This was an increase of 31 per cent in the deficit and the largest trade shortfall so far this year, whereas the financial markets were expecting a deficit of around $9.06bn. There was also disappointment that the July trade gap had been raised from the previously reported figure of $7.58bn.

Fears that the steady improvement in the US trade position seen this year may have stalled pushed the dollar down to a low of DM1.8440, but the currency held above a technical support level of DM1.8400 to close at DM1.8530 in London, compared with DM1.8650 on Monday.

The dollar flirted with a support level of Y141.00 in terms of the Japanese yen before closing at Y141.45 against Y141.85 previously. It also fell to SFr1.6235 from SFr1.6350 and to FFr6.3000 from FFr6.3375. On Bank of England figures the dollar's index was unchanged at 69.8.

The trade figures were the main factor influencing the market, and there was little reaction to data on US capacity utilisation and industrial production. September capacity use was running at 83.6 per cent, down slightly from 83.8 in August, but slightly above forecasts of around 83.5 per cent. Industrial production for the same month fell 0.1 per cent, against a rise of 0.3 per cent in August and forecasts of a 0.3 per cent fall in September.

Sterling rose against the dollar, gaining ¾ cent to $1.5825, and also climbed to Y223.75 from Y223.50, but it lost ground to most European currencies. The pound fell to DM2.9325 from DM2.9375; to SFr2.5700 from SFr2.5750; and to FFr9.9700 from FFr9.9825. Sterling's index closed unchanged at 89.0.

Nervousness in equity markets continued to influence tradingand there was also disappointment at the latest UK Public Sector Borrowing Requirement. Fears increased that the PSBR surplus for the full financial year will be around £10bn, compared with a Treasury forecast of £14bn. This followed news that the PSBR was £200m in September against expectations of a repayment of £250m to £400m.

Currencies within the European Monetary System traded fairly steadily with the Italian lira replacing the Danish krone as the weakest member of the system. There was no sign of central bank intervention, but the lira moved outside its cross rate limit against the strong D-Mark.

The krone was supported by speculation about a rise in Danish interest rates. The system has now divided into two distinct groups, excluding the very firm Spanish peseta. The French and Belgian francs plus the krone and lira appear to be in danger of a devaluation against the D-Mark, Dutch guilder and, possibly, the Irish punt.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1156	+1.55	+1.05	±1.5424
Danish Krone	7.85212	8.00299	+1.92	+1.42	±1.6419
German D-Mark	2.05853	2.05159	-0.34	-0.16	±1.1019
French Franc	6.90403	6.97442	+1.02	+0.52	±1.3719
Dutch Guilder	2.31943	2.31583	-0.16	-0.34	±1.5019
Irish Punt	0.768411	0.770719	+0.30	-0.20	±1.6689
Italian Lira	1483.58	1509.93	+1.78	+1.77	±4.0815
Spanish Peseta	133.804	130.622	-2.38	-2.38	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

FINANCIAL FUTURES AND OPTIONS

CHICAGO

LONDON (LIFFE)

EUROPEAN OPTIONS EXCHANGE

MONEY MARKETS

London rates steady

INTEREST RATES finished little changed on the London money market yesterday, easing a little on news of a larger than expected US trade deficit in August and on further operations by the US Federal Reserve to add liquidity in New York.

The US trade news led to a firming of sterling against the dollar, while the Fed's action followed a weakening of share prices on Wall Street. Three-month sterling interbank opened firmer at 15¼-15 and closed unchanged at 15-14⅞ per cent.

UK clearing bank base lending rate 15 per cent from October 5

The Bank of England initially forecast a credit shortage of £900m in London, but revised this to £950m at noon and to £1,000m in the afternoon. Total help of £928m was provided. The authorities offered an early round of assistance, and at that time bought £358m bills outright, by way of £10m bank bills in band 1 at 14⅞ per cent and £348m bank bills in band 2 at 14⅞ per cent. Another £205m bills were purchased before lunch, via £28m bank bills in band 1 at 14⅞ per cent; £135m Treasury bills in band 2 at 14¾ per cent; and £42m bank bills in band 2 at 14⅞ per cent.

In the afternoon the Bank of England bought £25m bank bills in band 1 at 14⅞ per cent and provided late assistance of around £340m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £510m, with Exchequer transactions absorbing £400m and bank balances below target £60m. These factors outweighed a fall in the note circulation adding £75m to liquidity.

In New York the Federal Reserve met market expectations by adding temporary liquidity to the banking system through $1.5bn of customer repurchase agreements when Federal funds were trading at 8¾ per cent.

In Frankfurt call money was steady at 7.95 per cent, trading close to the Bundesbank's Lombard emergency financing rate of 8 per cent. Dealers said that if the central bank does not provide extra liquidity at this week's securities repurchase agreement, tender interest rates will remain firm. Banks bid yesterday for a two-tranche tender at a fixed rate of 7.3 per cent for 28-day funds and at variable rates for 56-day money.

The result of the tender will be announced today and the market is looking for the authorities to more than replace the DM21.9bn draining from the banking system, as two earlier pacts expire.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

BASE LENDING RATES

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Investors should be aware that investments in futures and options can fall as well as rise in value, perhaps to the extent that losses could exceed the initial investment. Investors should also be aware that trading in currencies other than your own will cause additional fluctuations in your account.

IG INDEX

9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
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FTSE 100	WALL STREET
Oct. 2110/2130 -90	Oct. 2625/2645 -90
Dec. 2135/2155 -95	Dec. 2635/2655 -90

5pm Prices. Change from previous 9pm close

JOTTER PAD

CROSSWORD

No.7,066 Set by VIXEN

ACROSS

1 Each will take a portion (6)
4 A shrub or building gives shelter (8)
9 Showed some inclination for armed combat? (6)
10 Lawless characters set it back it would appear (8)
12 Knitwear for town (8)
13 Little creature of nicest possible disposition (6)
15 Forced to retreat in Holland (4)
16 Adjust rate and things should be different (10)
19 Examination for which someone's always inexplicably late (4-6)
20 The medico goes in like a man (4)
23 Write about the noise (6)
25 A stout MP ordered crush (5,3)
27 The inspector is no longer a worker underground (8)
28 Get the painter to phone from the centre (6)
29 "There is pansies, that's for —" (Hamlet) (8)
30 Some songstresses feel the pressure (6)

DOWN

1 An A? (7)
2 Still rate about abuses (3-6)
3 Believe in making financial provision (6)
5 A fish or seaweed product (4)
6 Jokey talk that's attractive only in the young (8)
7 Not Alexander's way to deal with a knotty problem! (5)
8 Taking issue about covering the cheese (7)
11 Tears up troublesome grass (7)
14 Colour is a factor in some degree (7)
17 Time to get up put off (9)
18 Senior NCO wearying but smiling (8)
19 Mislead retiring minister in audacious fashion (7)
21 Fixes sinks (7)
22 Showing bad spirit over work can cause strike (6)
24 Greek philosopher organising a plot (5)
26 Measures one's standing? (4)

Solution to Puzzle No.7,065

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WORLD STOCK MARKETS

CANADA

TORONTO
4pm prices october 17

MONTREAL
4pm prices october 17

Total Sales 6,957,101 shares.

INDICES

NEW YORK

DOW JONES	Oct 17	Oct 16	Oct 13	Oct 12	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2638.73	2657.38	2569.26	2759.84	2791.41 2 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	92.74	93.00	93.06	92.94	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1254.27	1304.23	1406.29	1494.35	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.54	214.73	211.96	219.25	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2665.37 (2667.42) Low 2588.73 (2496.93)

STANDARD AND POOR'S	Oct 17	Oct 16	Oct 13	Oct 12	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	341.16	342.86	333.66	355.39	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials (latest)	389.34	391.33	379.66	407.40	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	32.90	33.17	32.45	34.67	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	188.89	189.76	185.56	196.98	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	375.16	376.41	378.45	395.01	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	459.93	460.98	467.29	482.19	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct 13	Oct 6	Sep 29	year ago (approx.)
Dow Industrial Div. Yield	4.01	3.62	3.74	3.63

	Oct 11	Oct 4	Sep 27	year ago (approx.)
S & P Industrial div. yield	2.82	2.82	2.90	3.19
S & P Indl. P/E ratio	14.91	14.90	14.42	13.03

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Philip Morris	3,900,700	43⅛	.....
AMR	3,416,100	73¼	− 3¼
IBM	2,907,100	102¼	− ¾
UAL	2,836,000	198	− 24⅞
Chase Manhattan	2,750,500	40	− ⅛
AT&T	2,741,600	42⅛	− ⅞
Bristol Myers	2,716,600	51⅜	− ½
Ford Motor	2,099,900	49⅞	− ⅞
General Electric	2,048,300	56½	.....
Upjohn	2,047,600	39	+ 1½

TRADING ACTIVITY

† Volume Millions	Oct 17	Oct 16	Oct 13
New York	224.070	419.342	254.060
Amex	16.651	30.447	1.456
NASDAQ	(u)	242.843	167.705
Issues Traded	1,979	1994	1,972
Rises	636	767	140
Falls	941	939	1608
Unchanged	402	288	224
New Highs	3	4	20
New Lows	35	232	93

CANADA

TORONTO	Oct 17	Oct 16	Oct 13	Oct 12	1989 HIGH	1989 LOW
Metals & Minerals	3527.1	3601.7	3478.3	3652.9	3919.2 (1/9)	3207.5 (3/1)
Composite	3904.2	3927.3	3870.8	4012.5	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	1997.39	2012.26	1971.72	2051.44	2069.68(10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 17	Oct. 16	Oct. 13	Oct. 12	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1662.6	1600.7	1741.9	1730.4	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	801.5	770.0	843.9	837.7	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	482.45	470.01	503.49	501.02	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	(u)	6567.96	6670.45	6719.83	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	321.69	336.59	338.13	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	677.7	666.0	690.1	699.8	815.8 (18/4)	666.0 (16/10)
FRANCE						
CAC General (31/12/82)	526.5	523.5	553.2	547.9	561.6 (11/10)	417.9 (4/1)
Ind. Tendance(30/12/88)	118.6	115.4	125.7	126.1	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	623.02	582.8	672.53	677.41	690.91 (10/10)	535.78 (27/2)
Commerzbank (1/12/53)	1850.8	1731.0	2000.5	2014.8	2056.8 (10/10)	1595.7 (27/2)
DAX (30/12/87)	1475.44	1385.72	1589.28	1612.78	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2695.90	2601.70	2782.30	2793.45	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1695.06	1635.82	1762.90	1765.58	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	668.33	642.95	691.93	696.09	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34996.08	34468.69	35116.02	34795.34	35689.98 (28/9)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2639.66	2600.88	2646.54	2623.60	2703.58 (2/10)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	252.2	249.5	264.6	265.8	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	193.9	191.9	203.4	204.3	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	631.01	605.86	677.36	666.75	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1222.83	1212.21	1288.62	1264.57	1288.62 (13/10)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1341.83	1285.04	1427.88	1431.85	1431.85 (12/10)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1493.0♦	1399.0	1523.0	1506.0	1710.0 (27/9)	1291.0 (15/2)
JSE Industrial (28/9/78)	2457.0♦	2306.0	2610.0	2622.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	927.69	927.21	932.42	929.61	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	311.12	301.27	322.40	(c)	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4258.75	4112.31	4445.86	4443.8	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(u)	734.2	806.4	807.9	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	10100.52	9690.20	10272.33	10293.66	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	686.79	661.45	705.60	700.17	724.93 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	522.3	524.7	533.4	551.2 (3/8)	487.6 (13/6)

**Saturday Oct.14: Taiwan Weighted Price: 10019.68. Korea Comp Ex. 934.41.
♦ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday October 17 1989

AMEX COMPOSITE PRICES
4pm prices october 17

4pm prices october 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	21¾	AAR	.48	1.3	22	465	38¼	34¾	36¼	+1½
9⅞	8⅝	ACM n	1.01	11.		288	9¼	9⅛	9⅛	
11⅝	10¼	ACMIn	1.26a	11.		700	11⅝	11⅜	11½	
10⅛	8	ACM M	n1.01	12.		185	8⅝	8½	8½	
11½	10	ACM Sc	1.26	11.		1322	11¼	11⅛	11⅛	– ⅛
9⅞	8⅜	ACMSp	1.01	12.		635	8⅞	8⅝	8¾	
16	11½	AL Lab	.12	.8	16	178	15¼	14⅞	15⅛	+ ⅛
4⅛	3⅛	AMCA	.12e	3.6	23	1	3⅜	3⅜	3⅜	– ⅛
6⅛	4½	AM Intl			11	409	5⅛	4⅞	5	
23½	20⅝	AM In pf	2	9.4		96	21⅜	21	21⅜	– ¼
107¼	46½	AMR			8	34156	78	68½	73½	–3
7⅞	3⅝	ARX				289	3⅞	3¾	3⅞	
48⅞	37¾	ASA	3a	6.7		256	45	44½	44⅝	– ⅜
30¼	19¼	AVX	.24	.8	13	471	28⅞	28½	28¾	
68½	44⅛	AbtLab	1.40	2.2	18	4404	65½	65¼	65	
18¼	13½	Abitibi g	1			51	13¾	13½	13⅝	– ¼
13	7½	AcmeC	.40	3.9		51	10½	10⅛	10⅜	– ⅜
9¼	6⅞	AcmeE	.32	3.7	10	16	8⅝	8⅝	8⅝	+ ⅛
38½	20¼	Acuson			26	270	36	35½	35¾	– ¼
17	14¼	AdaEx	1.82e	11.		349	16⅛	15¾	16	– ⅛
12⅝	6½	Adobe				158	11⅞	11⅜	11⅞	
19⅞	16½	Adob pf	1.84	9.7		5	18⅞	18⅞	18⅞	+ ⅛
21⅝	19⅞	Adob pf	2.40	11.		4	21¼	21¼	21¼	
10½	7⅛	AMD				1788	8⅞	8⅛	8¼	– ⅛
35	28¾	AMD pf	3	10.		331	30¼	30	30	
10⅛	6⅞	Advest	.12	1.5	14	335	8	7⅞	7⅞	– ⅛
60⅛	46	AetnLf	2.76	4.8	9	2232	57⅞	56½	57⅛	– ⅛
14	12⅞	AflPb				4768	13	12⅞	12⅞	– ⅛
25	15⅞	Ahmans	.88	3.9	11	2803	23	22½	22⅝	– ⅜
4¼	2¼	Aileen				68	2⅞	2½	2⅞	+ ¼
48⅞	37¾	AirPrd	1.32	2.9	11	1257	45	44⅝	44⅞	
39⅝	17⅝	AirbFrt	.60	1.7	23	442	35¼	34¼	35	
25¼	14½	Airgas			13	23	22½	21¼	21¼	– ⅜
20¾	18⅛	Airlease	2.40	12.	9	21	20¼	20	20⅛	
24¼	21½	AlaP	pf2.13e	9.8		120	22¼	22¼	22¼	– ⅛
10	8½	AlaP	dpf.87	9.1		73	9⅝	9½	9⅝	
99⅝	88¼	AlaP pf	9	9.4		z150	97	96	96	– ⅞
100½	93	AlaP pf	9.44	9.7		z20	97¼	97¼	97¼	– ¾
88	80⅞	AlaP pf	8.28	9.4		z700	u88½	87½	87¾	+ ⅛
30½	19	AlskAir	.20	.8	8	878	24⅝	23¾	24¼	– ⅜
23½	14⅞	Albnyln	.30	1.5	13	284	20⅝	19⅞	20⅛	– ¾
53⅝	32¾	Alberto	.36	.7	23	83	49⅛	48½	48⅝	– ¾
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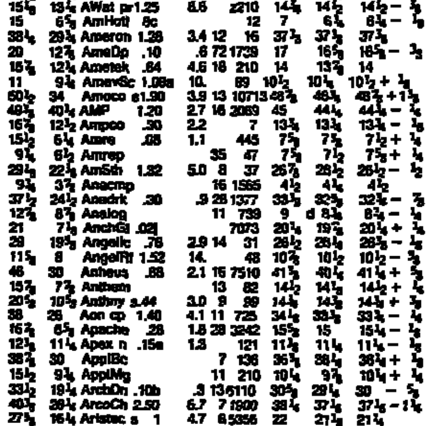

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Electronics

Continued on Page 45

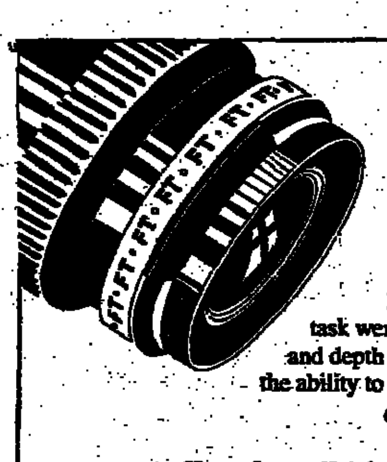
NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21¾	13½	ZenithE				2175	14	13¾	13¾	- ⅛
10⅜	7¼	Zeninc	1.26	16.		352	8⅛	7⅞	8⅛	+ ⅛
2½	⅞	vjZenLb				1028	13-16	⅝	¾	
21½	15	ZenNtl	.84	4.5	8	42	18⅝	18⅝	18⅝	
18½	12¼	Zero s	.40	2.4	18	611	16⅞	16⅜	16⅝	+ ⅛
44¼	25⅞	Zurnin	.68	1.7	19	527	39¼	38½	38⅞	+ ⅛
12⅝	10	Zweig	1.12e	9.8		382	11½	11⅜	11⅜	+ ⅛
10⅛	8⅞	ZweigTl	.96	10.		1758	9⅝	9½	9½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.



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FINANCIAL TIMES

Wednesday October 18 1989

AMERICA

Dow declines in volatile session

Wall Street

WAVES of programme trading hit the New York Stock Exchange yesterday, producing surges of both buying and selling and wild swings in an extremely volatile session, *writes Janet Bush in New York.*

By the close, the Dow Jones Industrial Average was quoted substantially above its earlier lows, 18.65 points down at 2,638.73. The key indices on the American Stock Exchange and the Nasdaq over-the-counter electronic market were also lower.

The Dow Jones Transportation Index was quoted 49.96 points lower at 1,254.27 as airline stocks continued to plummet under a deluge of sell orders. Some equity analysts said it was weakness in airline issues which exacerbated the weakness in the broad market yesterday.

Equities dropped quite sharply immediately after the opening in response to a substantial widening in the US trade deficit in August to $10.77bn. Analysts had expected only a $9bn deficit. The July deficit was also revised upwards to $8.24bn from the $7.58bn previously reported.

Although volume on the New York Stock Exchange of 224m shares was not nearly as heavy as on Monday, when 416m shares were traded, the market was more volatile.

After their initial weakness, stocks rebounded before plunging in a 65-point drop in the late morning as traders bought Standard & Poor's futures contracts on the Chicago Mercantile Exchange when they dipped to a discount to their underlying stocks in the cash market. The futures later rebounded to a premium over the cash market, the futures were sold and the cash market recovered about two thirds from its worst levels.

The Dow Jones Industrial Average was down about 20 points when the programmes were set in motion, and lost another 40 points in 10 minutes only to recover those 40 points in another 10 minutes.

In trading so dominated by programme trading, it is difficult to discern an underlying tone to the market. However, the weakness on the American Stock Exchange and Nasdaq market, which tend not to be affected directly by stock index arbitrage, provides evidence that there was genuine selling of stocks.

UAL, suspended temporarily in mid-morning because of a deluge of sell orders, was quoted $25¾ lower at $197¼ as it looked increasingly unlikely that banks would be prepared to finance even the restructured buy-out deal being proposed by Citicorp.

AMR, the parent company for American Airlines, was another $2⅞ lower at $73⅛, Delta dropped $1⅞ to $67⅞ and USAir slipped $⅝ to $40⅛.

Among stocks that are the subject of a bid or takeover speculation, Paramount Communications fell $1 to $56⅛. Holiday fell $1⅞ to $69⅞ and USX dropped $⅝ to $33⅞.

Liquid, high capitalisation stocks which have a proven ability for earnings growth even in an economic downturn continued to out-perform the rest of the market. Among these was Procter & Gamble which added $3 to $127, Pepsico which was up $1⅝ at $58½, Pfizer which added $1 to $67 and, on the over-the-counter market, Apple Computer which edged $⅛ higher to $47⅛.

Several companies announced third-quarter earnings. BF Goodrich, which saw net income drop to $1.50 a share from $2.32, fell $1⅞ to $48⅞. MCI Communications dropped $2⅞ to $42⅞ in spite of a rise in net income to 52 cents a share from 38 cents a share.

Phillips Petroleum lost $⅛ to $24⅞ after the company estimated that its third-quarter net income would fall.

Canada

TRADING activity calmed down as Toronto share prices gave up about half of Monday's gains to close lower.

The composite index, up 56 points on Monday, sank back 23.1 to 3,904.2.

Volume eased to 27.7m shares from the previous day's 46.9m. Declines topped advances by 379 to 331.

Mining stocks led the downturn with a 2 per cent loss on the sub-index. Noranda fell C$½ to C$25¾ and Alcan lost C$⅞ to C$25⅞.

Northgate Exploration, which plans a reorganisation of its associated companies, was unchanged at C$6⅛.

EUROPE

Rally trimmed by US trade figures

THE bigger than expected US trade deficit for August, and Wall Street's response, gave a sour taste to the recovery in Europe. Paris ended slightly weaker, but rallies elsewhere ranged from just under 2 per cent in Amsterdam to 6.5 per cent in Frankfurt.

PARIS recovered in the morning but then ran into stormy weather again, foundering in the wake of Wall Street, *writes George Graham in Paris.*

The CAC 40 index had opened at 1,849.09 after Monday's 6 per cent fall, and it was soon showing a gain of over 2 per cent. This was steadily whittled away, however, and the index was showing a decline of nearly 0.8 per cent in the early afternoon, following the announcement of a US trade deficit worse than Paris brokers had anticipated.

After drifting back into the black by 3.30 pm, the index slipped away again to show a loss of 0.75 per cent at 4.30 pm, closing at 6 pm at 1,805.69, a decline of 4.12 points or 0.23 per cent on the day.

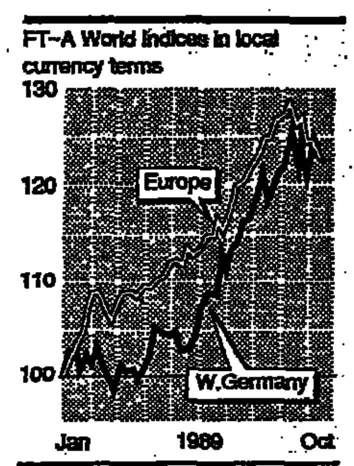
"There are no two ways about it, I'm afraid. Paris has simply been following New York," commented one broker.

A number of stocks which could not be traded at all on Monday after moving limit down reopened yesterday, showing substantial declines on their last quoted price from Friday. This contributed to the depression of the market indices. Turnover was substantially lower than Monday's heavy trading, but brokers said it could still be over FFr3bn.

Paribas was again heavily traded, ending 4.4 per cent higher at FFr590 with 613,000 shares changing hands. Navigation Mixte, at the centre of takeover speculation, rocketed up to FFr1,694 in the morning before coming back to end 0.6 per cent lower at FFr1,601, but volume was still substantial with 220,000 shares traded.

FRANKFURT benefited from heavy orders by institutional investors, encouraged by the turnround on Wall Street on Monday and continued bright prospects for the economy and company profits, *writes Andrew Fisher in Frankfurt.*

The DAX index advanced by 6.5 per cent to 1,475.44 points after Monday's 13 per cent slide. This continued the after-hours improvement seen on Monday, which had been influenced by the uncertain recovery in the US. Yesterday shares showed little immediate reaction to the US trade figures in after hours trading.



Leading stocks such as Daimler-Benz made up much of their previous losses, with the diversified motor group gaining DM55 to close at DM705 after collapsing DM111 on Monday. Gains in other stocks included a DM37 rise at VW to DM432 (down DM78.50 on Monday) and one of DM42 to DM642 at Deutsche Bank (down DM87.30 the previous day).

Official market hours were extended by 90 minutes to take account of the volume of buying, with many private shareholders climbing back into the market as the institutions stocked up. However, dealers said the market remained uncertain and clearly in the shadow of the US market.

"We've had two mad days, so we can't say how things are going to move," said Mr Uwe Müller-Kasporick, an analyst with Metzler, a Frankfurt private bank. "Now we have to try to be level-headed and work out what happened to the market."

One dealer said the day began in a frenzy. "The telephones were buzzing with enquiries from foreigners." British institutions, having sold some of their UK holdings as the market declined there in recent weeks, were ready to jump into Germany this time, he added. But Asian investors remained reserved.

ZURICH closed off its best after seeing the US trade figures, but the Swiss Market index rose 82.5, or 5.1 per cent, to 1,705.4 after a 10.5 per cent fall on Monday, *writes Our Markets Staff.*

Volume increased, reflecting local buying and selling, with foreigners not in evidence. Features included a SFr212 (7.7 per cent) rise in Ciba-Geigy participation certificates to SFr2,882 and a SFr100 gain in Brown Boveri bearers to SFr4,950, even after late selling brought them back from SFr5,250.

MILAN also had sight of the US trade figures, and blue chips came off earlier highs in afternoon trading before the MIB index closed 4 per cent higher at 1,127, after Monday's 7.1 per cent fall.

Volume remained heavy. It was estimated at L700bn on Monday, compared with a more normal L300bn. Fiat was quoted at L11,090, up L289, after fixing earlier at L11,199.

AMSTERDAM was hit by computer problems which delayed the start of trading by one and a half hours, and the US trade figures pushed international stocks off their highs. Shares closed 1.8 per cent better after losses on Monday of 6 per cent, with the CBS tendency index up 3.2 at 182.6. The computer delays were blamed on Monday's huge volume of Fl 2.8bn, which compared with Fl 800m on a normal day.

The market started less strongly than expected as bonds weakened again and institutions stayed sidelined. Retail orders lifted shares from midday, before a slight downturn on the US trade figures. Worst hit stocks on Monday were those also traded on the options exchange, as private investors bought put options and market makers sold the underlying stocks.

MADRID saw some strong recoveries but the index was up only 1.9 per cent at 311.1 after its 5.3 per cent fall on Monday. This was mainly because of a backlog of sell orders on the banks, which make up nearly 40 per cent of the index.

Turnover, which reached $168m on Monday, was heavy again, and Telefonica, the national communications company, climbed 15.7 points to 199 per cent of par after losing 26.9 on Monday.

Scandinavian markets showed varying degrees of recovery. **OSLO**, which had fallen 10.7 per cent on Monday, bounced back by 4.3 per cent on the all-share index to 487.83 in very heavy turnover worth NKr704m. Shipping stocks benefited from local buying, with Wilhelm Wilhelmsen up NKr15 at NKr145 on takeover rumours. **STOCKHOLM** gained about 4 per cent after falling 7.5 per cent on Monday when the big internationally traded stocks were sold heavily. The Affärsvärlden General index rose 49.5 to 1,257.1 and trading was a heavy SKr592m. Local institutions, as in Norway, did not join Monday's sell-off.

VIENNA attracted more foreign buying and ended 2 per cent up in busy trading with the index at 507.34, having lost 7.5 per cent on Monday.

Increased flow of orders paralyses Belgian CATS

THE BRUSSELS stock exchange disgraced itself for the second day running yesterday as its central computerised dealing system remained moribund under the increased flow of orders, *writes Lucy Kellaway in Brussels.*

From today, trading will return to the open outcry system while experts struggle to identify the problem. Since Friday, there has been no official trading in any of the 52 stocks quoted on the Computer Assisted Trading System (CATS). Although there has been some off-bourse activity, brokers complained that investors had been reluctant to trade in the absence of firm indications of price levels.

"It is all very embarrassing. Those who had ambitions of creating a major financial centre in Brussels must be feeling very upset," said a head dealer at a big Brussels bank.

A London stockbroker said that the affair had already damaged the reputation of Brussels in the eyes of international investors. "Clients have been phoning up asking whether trading has started yet in 'that Mickey Mouse market of yours'," he said.

By the end of the day, the stock exchange was still not aware of the exact nature of the problem with the computerised system, which had been introduced amid fanfares at the beginning of the year.

ASIA PACIFIC

Region recovers with Japan at helm

Tokyo

RELIEF over the rebound of the Dow Industrial Average in New York on Monday passed quickly into exhilaration yesterday, triggering bargain-hunting which gave share prices their second biggest gains this year, *writes Michiyo Nakamoto in Tokyo.*

The market virtually made a complete recovery from Monday's fall. Tokyo's relatively calm trading on Monday had raised hopes that the correction would be temporary, as long as New York was stable, but few had expected the recovery to be so quick and so strong.

The Nikkei average rose 527.39 to finish just short of the 35,000 level at 34,996.08. In intra-day trading it had more than recouped its loss of 647.33 made on Monday, rising 714.89 to a high of 35,183.58. The day's low was 34,508.42.

Advances outnumbered declines by 821 to 201 while 103 issues were unchanged. Turnover, however, was still low at 678m shares, although up from Monday's 526m.

The Topix index of all listed shares advanced 41.76 to 2,642.64, also marking its second largest rise this year. In London, however, the ISE/Nikkei 50 index eased 2.95 to 2,021.15.

"The rebound [in Tokyo] was not surprising," one trader said, "but what was surprising was how quickly it rebounded and how immune [the market was] to Japanese reasons for caution." The gains were supported by stable bonds and came in spite of a weaker yen.

Investors were further sustained by recent indications that the Government would stand by the market to prevent a crisis. The relatively calm trading strengthened the conviction that Japanese markets were a safe haven. A vein of caution, illustrated by the low volume, reflected the impending release of US trade figures after the market's close.

Buying focused on issues sensitive to increased domestic demand, such as constructions and steels. They were popular because they have just gone through a correction phase as interest rate-sensitive issues.

Nippon Steel was second most actively traded with 19.4m shares changing hands.

Tokyo investors enjoy the rebound in share prices

Tokyu Land, a real estate company, topped the most actives list with 31.3m shares and advanced Y90 to Y1,590 after its strong performance on Monday.

A big change in the market was the lacklustre performance of Sony, the designated leader before last Friday. That day's events on Wall Street have led to questions being raised over Sony's financial management following its acquisition of Columbia Pictures Entertainment. It dropped Y160 to Y8,750.

Heavily-capitalised stocks led a rebound in Osaka. The OSE average closed up 434.96 at 35,828.50. Volume recovered to 45m shares from 35.5m on Monday.

Roundup

PARTIAL, but sizeable, recoveries yesterday followed Monday's falls of up to 12 per cent in Asia Pacific markets. The mood remained nervous after the volatile trading of the past two days and in advance of the US trade figures, which came after the close.

AUSTRALIA took its cue from Wall Street and bounced back yesterday to reclaim almost half the ground it lost on Monday, *writes Chris Sherwell in Sydney.*

The All Ordinaries index put on 61.9, or 3.9 per cent, to 1,662.6. It lost 8 per cent to 1,600.7 on Monday. Trading volume was stronger yesterday as institutions stepped in to buy bargains.

On the Sydney futures exchange, however, the December 1989 share price index contract finished at 1,644, a more substantial discount to the physical market than the 3-point differential on Monday.

Brokers reported demand for shares across the board, but said investors remained nervous about the immediate outlook and would continue to watch New York closely.

One Australian analyst in London said the situation was highly volatile and that some institutions were supporting the physical market, while others with a more pessimistic view were short-selling futures.

Broken Hill Proprietary (BHP) added 24 cents to A$9.46 after losing 72 cents on Monday; Elders IXL regained 15 cents to A$2.95, after shedding 37 cents; and News Corporation recovered 45 cents to A$13.50, after a A$2 plunge.

Leading banks showed healthy gains, with National Australia rising 36 cents to A$6.70 on reports that it was interested in acquiring Yorkshire Bank of the UK.

Large mining companies such as Western Mining and CRA also recovered. The gold index jumped 7.5 per cent – double the rise in the All Ordinaries index.

Entrepreneurial stocks outperformed the market by a similar margin. The besieged Bond Corporation added 3 cents to 29 cents after losing 5 cents the previous day, Industrial Equity (down 24 cents on Monday) put on 10 cents to A$2.11 and Adelaide Steamship (off A$1.05 on Monday) closed 60 cents up at A$9.60.

NEW ZEALAND saw its Barclays index rise 117.7, or 5.7 per cent to 2,176.42, after a loss of 8.5 per cent on Monday, *writes Terry Hall in Wellington.*

Individual investors, together with European buyers who had helped fuel the rally over the past three months, rushed brokers with buying orders after Wall Street closed; there were few sellers. The institutions did not trade, awaiting developments in London and Tokyo, and volumes were moderate, with the underlying tone still nervous.

HONG KONG regained more than half of its 6.5 per cent fall when the local Hang Seng index closed at 2,695.90, a rise of 94.2, or 3.6 per cent, since Monday, *writes John Elliott in Hong Kong.*

But market analysts are nervous about trends in the next few days, predicting considerable volatility. Their concern stems from uncertainty about the US trade figures, due later yesterday, the varying moves on other markets and the tough stance being adopted by China towards Hong Kong, which reverts to Peking's sovereignty in 1997.

Responding to Tokyo, the Hang Seng's highest point yesterday of 2,719 was reached within a few minutes of the opening at 10 am as the index rose by 118 points. Volume was heavy at HK$1.8bn, but below Monday's HK$2.2bn.

SINGAPORE recovered more than a third of Monday's 10 per cent loss, with the Straits Times industrial index rising 56.79, or 4.4 per cent, to 1,341.83 in heavy trading.

The day's most active stock was UIC, up 13 cents at S$2.31 on a turnover of 12.8m shares. There were rumours of Singapore Land taking a stake in UIC last Friday. DBS Land, up 11 cents at S$2.70 in 12.7m, also attracted interest on property development rumours a few days ago. Singapore Land warrants rose 95 cents, or 15 per cent to S$7.30.

TAIWAN enjoyed its biggest single-day gain in points terms as the weighted index surged 410.32, or more than 4 per cent, to 10,100.52 in active volume. This recapturing of the 10,000 level followed a 5.7 per cent fall in the previous two days.

SOUTH AFRICA

JOHANNESBURG recovered most of Monday's losses, with gold shares closing firmer but off their day's highs. Shortly before the close, the all-gold index was up 94 points, or 6.7 per cent, at 1,493, after its 8.1 per cent decline on Monday.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY OCTOBER 17 1989						MONDAY OCTOBER 16 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	147.48	+4.7	138.17	127.66	+3.4	5.17	140.89	132.62	123.41	160.41	128.28	145.17
Austria (19)	166.91	+3.6	156.37	160.77	+2.9	1.52	161.26	151.80	156.26	172.22	92.84	94.56
Belgium (63)	144.49	+1.7	135.37	138.97	+0.9	3.98	142.10	133.76	137.72	144.49	125.58	127.33
Canada (122)	148.81	−0.7	139.42	126.72	−0.8	3.24	149.82	141.03	127.69	164.17	124.67	124.33
Denmark (36)	199.73	+2.9	187.12	196.14	+2.4	1.62	194.15	182.76	191.45	219.89	165.35	139.89
Finland (26)	125.34	+1.2	117.43	112.19	+0.9	2.47	123.83	116.56	111.20	159.16	123.12	117.50
France (126)	131.02	+0.3	122.75	129.48	−0.3	2.91	130.65	122.99	129.89	139.94	112.57	102.48
West Germany (97)	95.38	+7.1	89.36	91.88	+6.5	2.23	89.02	83.80	86.31	103.84	79.56	84.90
Hong Kong (48)	113.64	+4.1	106.46	113.93	+4.1	4.96	109.17	102.76	109.48	140.33	86.41	106.28
Ireland (17)	157.75	+7.4	147.79	154.36	+6.4	2.87	146.86	138.24	145.01	166.69	125.00	142.04
Italy (97)	89.97	+4.4	84.28	91.78	+3.9	2.49	86.15	81.09	88.35	96.73	74.97	83.46
Japan (455)	184.45	+1.9	172.81	164.92	+1.6	0.49	180.99	170.37	162.28	200.11	164.22	167.73
Malaysia (36)	199.16	+6.3	186.59	206.61	+6.4	2.57	187.34	176.34	194.15	209.22	143.35	136.35
Mexico (13)	300.48	−7.2	281.51	857.47	−7.1	0.60	323.66	304.67	922.55	326.61	153.32	156.13
Netherland (43)	125.25	+2.6	117.34	119.56	+1.9	4.44	122.09	114.92	117.35	131.72	110.63	107.93
New Zealand (19)	78.35	+7.4	73.40	70.87	+6.9	4.98	72.92	68.64	66.27	88.18	62.64	72.37
Norway (24)	171.37	+5.1	160.55	160.73	+4.6	1.61	163.07	153.50	153.66	196.39	139.92	117.95
Singapore (26)	160.06	+4.5	149.96	144.39	+4.8	2.05	153.14	144.16	137.72	170.62	124.57	118.80
South Africa (60)	143.24	+5.8	134.20	121.60	+6.5	4.69	135.33	127.39	114.22	160.24	115.35	109.74
Spain (43)	159.47	+2.9	149.40	142.49	+2.2	3.67	154.95	145.86	139.46	169.75	143.14	148.06
Sweden (35)	176.86	+3.6	165.69	168.35	+3.2	2.04	170.66	160.65	163.08	188.94	138.45	127.27
Switzerland (64)	86.33	+5.1	80.88	86.90	+4.4	2.17	82.12	77.31	83.24	94.16	67.81	81.49
United Kingdom (306)	137.95	−0.5	129.24	129.24	−1.0	4.70	138.67	130.53	130.53	158.41	133.26	135.92
USA (547)	138.59	−0.5	129.84	138.59	−0.5	3.33	139.22	131.05	139.22	148.29	112.13	113.94
Europe (996)	122.70	+2.0	114.95	117.00	+1.4	3.58	120.33	113.27	115.40	132.95	112.63	111.93
Nordic (121)	164.56	+3.3	154.17	152.14	+2.9	1.87	159.25	149.90	147.82	178.38	137.95	120.01
Pacific Basin (669)	180.33	+2.1	168.95	161.47	+1.8	0.73	176.67	166.30	158.67	194.72	160.44	164.30
Euro – Pacific (1665)	157.35	+2.0	147.42	143.67	+1.6	1.64	154.21	145.16	141.35	166.98	141.56	143.38
North America (669)	139.10	−0.5	130.32	137.85	−0.5	3.33	139.75	131.55	138.50	146.66	112.79	114.49
Europe Ex. UK (690)	112.33	+3.7	105.24	109.31	+3.1	2.83	108.30	101.94	106.06	118.51	96.30	96.90
Pacific Ex. Japan (214)	130.80	+4.7	122.54	118.38	+4.0	4.77	124.90	117.57	113.78	140.05	111.93	123.06
World Ex. US (1860)	157.01	+2.0	147.10	143.13	+1.6	1.71	153.98	144.95	140.88	166.35	141.49	142.40
World Ex. UK (2101)	150.53	+1.3	141.02	142.75	+1.1	2.02	148.56	139.84	141.21	156.04	136.98	130.92
World Ex. So. Af. (2347)	149.42	+1.1	139.99	141.62	+0.9	2.22	147.73	139.06	140.38	155.92	136.67	131.48
World Ex. Japan (1952)	132.79	+0.6	124.40	129.56	+0.4	3.49	131.94	124.20	129.02	140.43	114.51	113.94
The World Index (2407)	149.38	+1.2	139.95	141.48	+0.9	2.24	147.66	138.99	140.19	155.89	136.66	131.35

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Amendments to indices for October 16 applied to Italy.related regional indices and The World Index.
Belgian prices were not fully updated October 16 and 17 due to technical problems at the Brussels exchange.

THIS WEEK

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